Beneficial Corporation

1976 Annual Report

Generations of Beneficial's shareholders have received 190 consecutive quarterly dividends since 1929.

This is Beneficial Corporation.
Marketers of Money, Marketers of Goods.
A strong company growing stronger.

A Financially Strong Company: With assets of more than $2.7 billion and a net worth in excess of $790 million, Beneficial is among the world's leading diversified financial companies.

A Highly Profitable Company: Consolidated Net Income for 1976 was $100.4 million, an increase of 36.9% over 1975.

A Salesminded Company: Total revenue for both our Divisions—Finance and Merchandising—increased dramatically during 1976. Our Consumer Finance Subsidiaries passed a significant milestone: more than two billion dollars in finance receivables.

A Company of Famous Names: Beneficial Corporation's subsidiaries bear some of the world's distinguished names: Beneficial Finance; Western Auto; Spiegel; Midland—names that have achieved national and even international reputations for service and quality. Our rapidly growing Insurance Group has insurance in force of more than $3.5 billion and ranks well within the top ten percent of all insurers in the United States.

Annual Meeting

The Annual Meeting of the shareholders of Beneficial Corporation will be held on Friday, April 29, 1977 at 11 a.m. Eastern Daylight Time at the office of the Company, Beneficial Building, 1300 Market Street, Wilmington, Delaware.

Highlights

During the Year	1976	1975	1974	% Increase (Decrease) 1976 over 1975	% Increase (Decrease) 1975 over 1974
Net Income:					
Finance Division:					
Consumer Finance	$ 43,934,000	$33,397,000	$33,104,000	31.6%	0.9%
Insurance	20,681,000	17,173,000	10,708,000	20.4	60.4
Income from Finance Division	64,615,000	50,570,000	43,812,000	27.8	15.4
Income from Merchandising Division	35,792,000	22,797,000	19,870,000	57.0	14.7
Total	$100,407,000	$73,367,000	$63,682,000	36.9	15.2
Earnings per Common Share:					
Primary	$4.52	$3.34	$2.83	35.3	18.0
Fully-diluted	$4.05	$2.94	$2.55	37.8	15.3
Dividends Paid per Common Share	$1.4375	$1.25	$1.25	15.0	—
Consumer Finance Offices:					
Finance Receivables Acquired Amount*	$1,900,279,000	$1,553,622,000	$1,669,254,000	22.3	(6.9)
Number	1,797,000	1,512,000	1,886,000	18.8	(19.8)
Average Amount of Transaction*	$1,057	$1,028	$885	2.8	16.2
Net Sales and Other Revenue — Merchandising Division	$1,206,346,000	$1,020,400,000	$1,039,232,000	18.2	(1.8)
At Year End					
Consumer Finance Offices:					
Finance Receivables*	$2,085,042,000	$1,828,456,000	$1,781,500,000	14.0	2.6
Number of Accounts	2,095,000	2,008,000	2,138,000	4.3	(6.1)
Average Account Balance*	$995	$911	$833	9.2	9.4
Number of Offices	1,768	1,723	1,773	2.6	(2.8)
Western Auto:					
Number of Company-owned Stores	520	534	544	(2.6)	(1.8)
Number of Associate Stores	4,139	4,114	4,271	0.6	(3.7)
Number of Employees	24,900	26,600	29,300	(6.4)	(9.2)
Number of Holders of Common Stock	31,700	29,900	30,000	6.0	(0.3)

*After deducting Unearned Finance Charges.

Information required by Securities and Exchange Commission rules concerning the lines of business of the Company's subsidiaries is included in the Eleven-Year Summary on Page 36.

To Our Shareholders

By virtually every standard of measurement, 1976 was by far the best year in the history of Beneficial Corporation. Net Income was $100.4 million, a record performance in itself and a record increase over the 1975 total of $73.4 million. Earnings per Common Share (primary) were $4.52, an unprecedented increase of $1.18 (35.3%).

1976 was a breakthrough year, a watershed year, a year we had long been planning for and building toward. Old barriers fell by the wayside: 100 million dollars of consolidated Net Income; 2 billion dollars in finance receivables; and the highest barrier of all—the belief that Beneficial, by its very nature, could not be a growth company. In 1976 our Net Income increased by a dramatic 36.9%. As a result of our 1976 performance, we are—more than ever before—a company in control of its own destiny.

During 1976 we brought to culmination the results of many years of planning and effort. We have come a very long way. Beneficial is one of the largest and one of the most profitable diversified financial companies in the world.

You will note that we do not use the phrase "financial *institution*." We are a *company*, an aggressive, sales-minded company, a company that is operations oriented. We are marketers . . . marketers of money, marketers of goods; in both areas we occupy significant positions of strength—positions that were achieved through the efforts of all our people: our consumer finance managers and their staffs; our insurance producers; the merchandisers and salesmen who operate our retail and wholesale companies; and the men and women who work in our management offices.

1977 is the first year of a new era, and we begin that era with new goals. For the short term, these goals are very simple. The 1976 results are our new standard of measurement; each of our divisions and each of our subsidiaries will be judged by these new standards in 1977 and the years to come. Last year's results were excellent . . . for last year. But the momentum must be continued.

For the long term, our basic goal in the Finance Division is to build upon our strength as a marketer of money. We will expand into those areas where there is an unfilled public need and where our expertise may be profitably applied. We are already a leader in consumer finance, and we intend to achieve leadership in other financial activities as well: insurance; mortgages; revolving credit; income tax preparation; and electronic funds transfer. All of the areas—our international organization; our transcontinental, on-line computer network; our financial strength; our well-known and trusted name; and the skill, experience, and imagination of our people—combine to give us unique advantages.

We also foresee continued growth as a marketer of goods. Our merchandising subsidiaries are all positioned to benefit from ongoing economic, demographic, and sociological trends. We have identified the retail customer of the future and are taking steps to anticipate and serve his needs.

In a sense, our goals have never changed. For a long time, we have had three major purposes: to provide the public with valuable financial services and quality retail goods under the most convenient circumstances and at a fair and reasonable cost, to achieve maximum bottom-line profitability consistent with maximum service, and to become the outstanding company in our field. We will continue to devote all our efforts to the achievement of those goals.

Finn M. W. Caspersen
Chairman of the Board

George R. Evans   Robert A. Tucker
Office of the President

March 1, 1977

Members of the Executive Committee: Back Row: Charles H. Watts, II (left), *Charles W. Bower* (center), *George R. Evans* (right); *Front row: Robert A. Tucker* (left), *Finn M. W. Caspersen* (center), *Cecil M. Benadom* (right).

Earnings and Dividends

	Amount		Percent	
	1976	1975	**1976**	1975
	(in thousands)			
Net Income:				
Consumer Finance	**$ 43,934**	$33,397	**43.8%**	45.5%
Insurance	**20,681**	17,173	**20.6**	23.4
Finance Division	**64,615**	50,570	**64.4**	68.9
Western Auto	**13,351**	11,750	**13.3**	16.0
Midland	**16,786**	6,397	**16.7**	8.7
Spiegel	**5,655**	4,650	**5.6**	6.4
Merchandising Division	**35,792**	22,797	**35.6**	31.1
Consolidated	**$100,407**	$73,367	**100.0%**	100.0%
Dividends Paid per Common Share	**$1.4375**	$1.25		

For the Finance Division, 1976 was a year of exceptional growth. The Consumer Finance Subsidiaries achieved Revenue of $433.2 million, a substantial improvement of 13.4%. During the year, Finance Receivables (after deducting Unearned Finance Charges) increased by $256.6 million, a gain of 14.0%. This exceeded the previous record for annual growth, established in 1968, by $110.3 million. Charge-offs of uncollectible accounts (after offsetting recoveries) declined from 2.42% of average receivables in 1975 to 2.04% in 1976. This decline in charge-offs was due to the general improvement in the economy during 1976 and to previously-implemented stricter credit standards. The Provision for Possible Credit Losses was $60.4 million, representing 3.10% of average receivables in 1976 compared with $54.8 million and 3.10% in 1975.

Other factors that significantly effected Net Income of the Finance Division were: relatively favorable interest rates on borrowing to accommodate the expansion of Finance Receivables; a better collection experience; a foreign exchange loss ($4.7 million) that was smaller than in either of the prior two years; a substantial improvement in the profits of the Insurance Group; and effective expense control.

The Merchandising Division had a very successful year, spearheaded by Midland's outstanding achievements in the field of citizens band radios. Net Sales and Other Revenue of the Merchandising Division was up $185.9 million (18.2%), while Net Income showed an improvement of $13.0 million (57.0%). Western Auto, excluding Midland, showed increases in Net Sales and Other Revenue of $72.2 million (12.8%) and in Net Income of $1.6 million (13.6%). Midland's improvements were $121.7 million (138.3%) and $10.4 million (162.4%). Spiegel registered a decrease in Net Sales and Other Revenue of $8.0 million (2.2%) but achieved an increase in Net Income of $1.0 million (21.6%).

Interest Expense for the Finance Division increased $14.1 million (14.4%). Of this amount, $10.6 million (75.5%) was due to an increase in average borrowing and $3.5 million (24.5%) to higher interest rates.

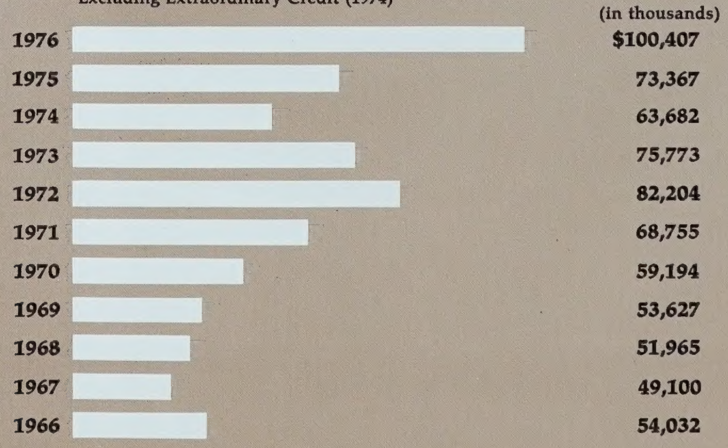
The Finance Division foreign exchange loss (before income taxes) of $4.7 million primarily represented losses relating to Australian and English currency exchange fluctuations.

Management's Discussion and Analysis (Pages 22 and 31) gives additional explanation of the results for the year.

The dividend rate on the common stock was increased twice in 1976—for March, $.3125; for June and September, $.3625 each; and for December, $.40; making a total for 1976 of $1.4375, and an indicated annual rate of $1.60. The dividend paid in December was Beneficial's 190th consecutive quarterly dividend.

Consolidated Net Income

Excluding Extraordinary Credit (1974)



Financial

Despite a rather inconsistent economy, the Company enjoyed its best year. Record earnings of over $100 million further strengthened Beneficial's financial ratios. Early in 1976 the economy was very strong, but then a lull developed, which raised the spectre of another recession. Fortunately, this was merely a pause, and the economy soon regained its basic strength. Inflation abated somewhat, and unemployment, while up slightly, appeared to stabilize. As a result, consumers seemed to develop a confidence in the economic prospects for 1977.

In order to minimize exposure of its assets to fluctuations in foreign exchange, Beneficial finances its foreign operations by borrowing, when possible, in the currencies of the countries in which it operates. The predominant exposure is in the Canadian dollar. Accordingly, early in 1977 a subsidiary, Beneficial Finance International Corporation, placed a $50 million Euro-Canadian debt issue. This continues a program begun in 1975 that now totals $115 million.

Our Australian subsidiary, BFC Finance, Ltd., arranged in 1976 for medium-term borrowings of $26.7 million Australian dollars. These borrowings were made possible by the solid reputation that BFC Finance has earned in the Australian money markets during the past few years. This financial foundation will be of considerable value in future years.

In order to finance its domestic growth in receivables, Beneficial sold $150 million of a unique multiple-redemption issue during the year. The bonds have an 8% interest rate and a 25-year maturity; however, the bond holders have yearly options to redeem the bonds at par, beginning in 1983. This innovative issue, a first in the United States financial market, was well received. In addition, a finance subsidiary issued $75 million of 7¾% 8-year debentures, and another finance subsidiary issued $11.5 million of 8⅝% 8-year promissory notes. During the year, the retirement of long-term debt totaled $155.0 million.

Interest rates paid on short-term borrowings declined during the year. Giving effect to compensating balances at banks, the average rate of annual interest expense for the Finance Division in 1976 was 7.26%, compared to the 1975 rate of 7.10%.

The average interest rate at year end for notes then outstanding at banks was 8.16%; for commercial paper, 6.45%; for long-term debt, 6.96%; and overall, 6.98%. This compares with 1975 year-end rates of 7.72%, 6.84%, 6.66%, and 6.77% respectively.

Beneficial Corporation and Consolidated Subsidiaries' borrowings at year end were as follows:

	1976		1975	
	Amount (millions)	**%**	Amount (millions)	%
Short-term Debt:				
Banks	**$ 99.9**	**5.57%**	$ 136.6	8.21%
Commercial paper	**167.5**	**9.34**	142.8	8.58
Employee thrift accounts ..	**34.0**	**1.89**	29.7	1.78
Total	**301.4**	**16.80**	309.1	18.57
Long-term Debt:				
Due within one year ...	**120.5**	**6.72**	155.0	9.31
Other	**1,372.4**	**76.48**	1,200.3	72.12
Total	**1,492.9**	**83.20**	1,355.3	81.43
Total Debt	**$1,794.3**	**100.00%**	$1,664.4	100.00%

The Company's philosophy with respect to financing is to use long-term debt to finance its growth in receivables and short-term debt to allow for flexibility in managing its debt portfolio. Average short-term borrowings during the year were $39.9 million at banks and $127.9 million in commercial paper. The maximum amount of short-term notes payable at the end of any month was $267.4 million.

Institutional and other sophisticated investors may purchase commercial paper directly from the Company, in amounts of $100,000 or more, for terms of 15 to 270 days. Moody's and Standard and Poor's investment rating services have assigned their highest ratings of P-1 and A-1, respectively, to Beneficial's commercial paper.

Beneficial Corporation's debentures are rated AA by Moody's Investors' Service, Inc. and Aa by Standard and Poor's Corporation.

Interest Expense—Effective Rate

Finance Division

Consumer Finance Subsidiaries

Beneficial's Consumer Finance Subsidiaries are the cornerstone of the Company's operations. Consumer Finance Offices, located in cities and towns throughout the United States and in Puerto Rico, Canada, England, and Australia, have made Beneficial one of the best-known consumer finance names in the English-speaking world. The Consumer Finance Subsidiaries are principally engaged in the business of making loans to individuals. They also purchase sales finance contracts covering time sales of merchandise and services.

1976 was the best year the Consumer Finance Subsidiaries ever had. New records were established in nearly all major categories:

Revenue:
$433.2 million, 13.4% higher than 1975.

Net Income:
$43.9 million, 31.6% higher than 1975.

Number of loans made:
1.3 million, 12.2% more than 1975.

Number of sales finance contracts purchased:
0.5 million, 40.9% more than 1975.

Total number of accounts at year end:
2.1 million, 4.3% more than 1975.

In October the Consumer Finance Subsidiaries passed the significant milestone of two billion dollars in Finance Receivables and, by year end, receivables (less unearned finance charges) stood at $2.1 billion, 14.0% more than the total at the end of 1975.

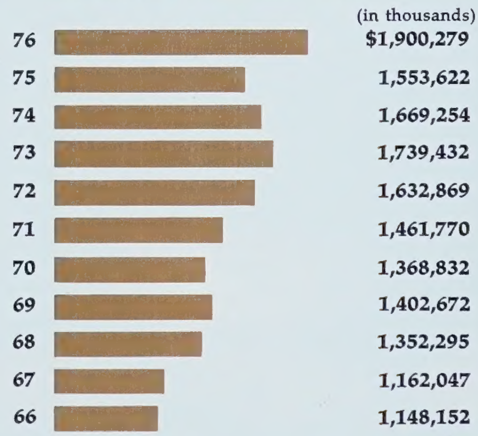
One of the many factors contributing to the increased net income was a substantial improvement in collections. Cash principal collections for 1976 totaled $1,014 million, 12.6% more than the $900 million collected during the prior year, and monthly cash principal collections, computed as a percentage of average net receivables, increased from 4.28% in 1975 to 4.35% in 1976. The percentage of delinquent loan receivables—those more than two months past due—was 1.19% at year end, compared to 1.29% at the end of 1975. Charged-off accounts were 4.3% less than in 1975, and there was, in addition, a 17.1% increase in recoveries of accounts previously charged off, the highest amount of such recoveries ever made.

During 1976, the Consumer Finance Subsidiaries closed 50 offices in locations where the return on the investment had not been satisfactory and opened 95 offices in more promising areas. As of December 31, they were doing business in 1,768 locations compared to 1,723 at the end of 1975. The wide distribution of offices throughout the United States and Canada tends to minimize the effects of local economic pressures. Those areas with the highest percentages of receivables were: California, 18.4%; Canada, 11.5%; New York, 10.0%; Pennsylvania, 6.7%; and New Jersey, 5.0%.

"The Consumer Finance Subsidiaries enter 1977 in a strong position, and we intend to build upon that strength. We intend to be even more aggressive in seeking new business and more efficient in maintaining it."

George R. Evans, President
Beneficial Management Corporation

Volume in Consumer Finance Offices
Excluding Unearned Finance Charges

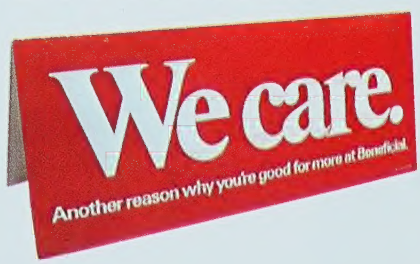


1976 was the best year in the history of the Finance Division. The two principal segments of this Division—The Consumer Finance Subsidiaries and The Insurance Group—reported outstanding results. The Division as a whole was responsible for $64.6 million (64.4%) of the Company's Consolidated Net Income.

A scene from a Beneficial Finance television commercial, featuring the famous clown, Emmett Kelly, Jr.

The principal activity of the Consumer Finance Subsidiaries continues to be the making of consumer loans. Loan receivables at year end represented 93.5% of total receivables. Both the demand for loans and the number of qualified applicants increased during 1976; 1.3 million loans were made, totaling $1,706 million—both record totals. The trend toward larger loans with longer maturities continued during 1976; the average loan increased from $1,222 in 1975 to $1,308, and the average maturity lengthened from 39.2 months to 40.8 months. The real estate loan program accounted for $174.0 million in volume during 1976, with an average loan of $7,619 and an average maturity of 80.5 months. Real estate loans are characterized by low delinquencies and low charge-offs, and the indications are that the demand for loans of this type will continue to increase.

As of year end 1976, the sales finance business accounted for 6.5% of total receivables. During the year, 493,000 consumer sales finance contracts with aggregate balances of $194.5 million were purchased, an increase of 45.4% over the prior year. These contracts averaged $395 in amount, with an average duration of 18.7 months. The sales finance business is an important source of new loans.



Beneficial Income Tax Service has heretofore been operated in connection with consumer finance activities in the United States and Canada. In order to serve the increasing public demand in this field, the Income Tax Service has been restructured and will now function as a separate profit center.

Beneficial Data Processing Corporation provides sophisticated computer services to the Consumer Finance Subsidiaries in the United States and Canada. The central data facility is directly connected to terminals in every office, and the system performs most accounting and clerical functions and provides basic management data as well. Similar services are provided under contract for unaffiliated consumer finance companies with a total of more than 400 offices, and the Data Processing Corporation is actively soliciting other customers in the consumer finance field.

The Consumer Finance Subsidiaries in Canada, Australia, and England provide essentially the same services offered in the United States. Receivables from such business increased 5.4% in Canada, 35.2% in Australia, and 36.7% in England. When translated into U.S. dollars for consolidation purposes, these figures reflect smaller increases because of currency devaluations and fluctuations in rates of exchange. At year end, receivables from these foreign operations totaled $328.4 million, constituting 15.8% of total receivables. Foreign operations contributed $8.4 million (19.2%) of Consumer Finance Net Income.

The Consumer Finance Subsidiaries conduct a continuing program of research and planning. In order to control delinquency and reduce charge-off losses, they test and evalu-

ate new techniques to improve the Beneficial Credit Scoring System, the basis for establishing an acceptable credit risk. The services of Beneficial Data Processing Corporation are being utilized to increase efficiency and also to determine more accurately the profitability of various types of the consumer finance business. Important new criteria are being added to the established procedures for evaluating existing offices and for identifying potentially profitable locations for new offices. The impact of new developments, such as electronic funds transfer, is being investigated in order to determine competitive strategy and future opportunities.

A landmark in Morristown, New Jersey, the tower of the headquarters building of Beneficial Management Corporation.

UNEARNED FINANCE CHARGES

This item represents the deferred income that is transferred to Revenue as collections are received on accounts containing Unearned Finance Charges.

Unearned Finance Charges are taken into Revenue by Beneficial as earned and collected under the Rule of 78ths. This Rule stipulates that the portion of income in each payment is computed as the ratio of the number of unpaid instalments plus one, to the sum of the months that each contractual payment is outstanding.

At Year End	Finance Receivables less Unearned Finance Charges: Total	Dollar-Cost Basis*: %	Dollar-Cost Basis*: Amount	Unearned Finance Charges: Relating Thereto	Unearned Finance Charges: As % of Related Finance Receivables
	(amounts in thousands)				
1976	$2,085,042	72.14%	$1,504,200	$449,778	29.90%
1975	1,828,456	73.01	1,334,899	388,500	29.10
1974	1,781,500	75.83	1,350,903	380,437	28.16
1973	1,700,696	79.75	1,356,231	377,078	27.80
1972	1,579,689	81.58	1,288,659	356,641	27.68

*An obligation the face amount of which includes Unearned Finance Charges.

Unearned Finance Charges at the end of 1976 is a larger percentage of the related receivables, primarily because of the longer term to maturity.

RESERVE FOR POSSIBLE CREDIT LOSSES

Beneficial's delinquency (as to loan account balances with payments more than two months past due), as a percent of Finance Receivables, stood at 1.19% as of December 31, 1976 compared to 1.29% a year earlier, although the dollar amount is substantially higher for 1976 because Finance Receivables are higher. The Reserve percentage remains one of the most conservative in the industry.

Results for the five years ended December 31, 1976 follow:

Year	Provision for Possible Credit Losses (a	Gross Amount of Finance Receivables Charged Off	Finance Receivables Charged Off (a: Amount	Finance Receivables Charged Off (a: % of Average Gross Finance Receivables	Reserve for Possible Credit Losses at End of Year: Amount	Reserve for Possible Credit Losses at End of Year: % of Finance Receivables at End of Year (b
			(amounts in thousands)			
1976	$60,419	$54,757	$48,356	2.04%	$106,337	5.10%
1975	54,755	57,230	51,764	2.42	95,054	5.20
1974	51,123	49,987	44,896	2.12	92,638	5.20
1973	40,756	39,887	36,355	1.82	86,736	5.10
1972	34,042	32,265	28,431	1.56	82,154	5.20

a) After offsetting recoveries.
b) After deducting Unearned Finance Charges.

Insurance Group

The Beneficial Insurance Group writes a wide variety of life, health, and group insurance coverages, primarily in the credit insurance field. While most of its business is provided through Beneficial's Consumer Finance Subsidiaries, a substantial and increasing portion comes from outside sources.

1976 was a good year for the Insurance Group. Net Income increased from $17.2 million in 1975 to $20.7 million. Assets as of December 31 were $259.6 million, an increase of 32.7% during the year. Premium income continued to grow—from $69.5 million in 1975 to $90.3 million in 1976. All of these totals represent new records for the Insurance Group.

The largest portion of the increased premium income came from a reinsurance arrangement with a non-affiliated insurer involving non-credit life and accident and health business. There were also significant gains in credit property, life, and accident and health, largely as a result of the substantial increase in loan volume generated by Beneficial Consumer Finance Subsidiaries and by other credit organizations for which the Group provides insurance.

The Beneficial Insurance Group's total life insurance in force now exceeds $3.5 billion, placing it well within the upper 10% of all life insurance companies in the United States. The Group is among the top ten carriers specializing in consumer credit insurance.

The investment portfolio of the Insurance Group now exceeds $210.0 million. Investments are made on a conservative basis, largely in high quality municipal bonds. Equity investments account for approximately 11% of the portfolio.

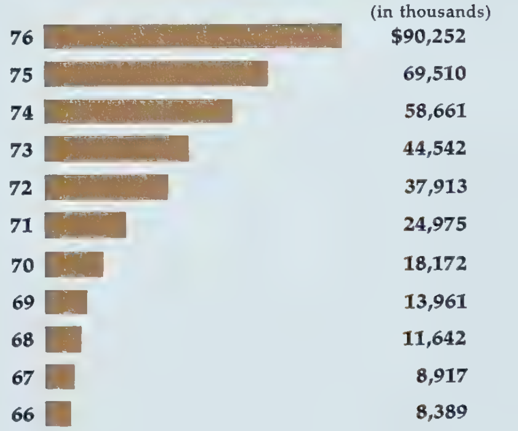
The Beneficial Insurance Group has developed and is implementing a cost-efficient program of expansion that will enable it to keep pace with the increasing volume of business expected during 1977 and the years ahead. Although no corporate additions were made during 1976, the Insurance Group continues to study possible acquisitions that can add to its basic strengths.

Much of the Insurance Group's success is the result of the mass marketing of innovative products, and in 1976 highly satisfactory results were realized from the sale of a single-premium accidental death plan. A new credit card insurance program was tested successfully in 1976, and this program will be marketed more extensively in 1977.

"By any criterion, the Beneficial Insurance Group is a strong organization—strong in assets, strong in profitability, strong in its corporate parentage. Prospects for the future are excellent. We expect to continue to grow at a good rate in the years to come."

Edward A. Dunbar
Chairman of the Board
Beneficial Insurance Group

Premium Income



The Beneficial Insurance Group provides credit insurance protection for families and many other forms of coverage for both life and health.

Merchandising Division

Western Auto Supply Company

Western Auto conducts a nationwide business, selling its merchandise at retail through company-owned stores located in major population centers and at wholesale to independently operated associate stores, located in smaller communities. Featured products include auto maintenance items, major appliances, sporting goods, furniture, housewares, and do-it-yourself items. Most of this merchandise carries Western Auto's own trademarks or brand names. The 1976 and 1975 results shown below are for Western Auto excluding Midland.

Net Sales and Other Revenue and Net Income increased substantially in 1976. Net Sales and Other Revenue was $637.3 million, 12.8% greater than the $565.1 million achieved in 1975. Net Income was $13.3 million, exceeding that of 1975 by $1.6 million, a gain of 13.6%.

The sales of many major items showed sharp increases. Included in this category are such products as bicycles, television sets, stereo equipment, citizens band radios, refrigerators, washers, ranges, and household furniture. Sales of such items as hardware, tires, batteries and automotive parts and accessories, sporting goods, housewares, and toys also showed significant improvement.

Company-owned stores realized Net Sales and Other Revenue of $225.4 million, an increase of 5.3% over 1975. During 1976, 17 company-owned stores were opened and 31 were closed, and at year end there were 520 stores in operation. Credit sales in company-owned stores accounted for 53.2% of total sales in such stores. Sales per square foot of selling space—for stores opened for a full year or longer—averaged $83.22 compared to $78.57 in 1975.

The Western Auto customer tends to drive his car longer, handle his own auto and home repairs, and make his own minor home improvements. The company is responding to this trend by providing the merchandise he needs and the shopping convenience he prefers. The program of opening larger stores with greater emphasis on automotive merchandise and services, hardware and do-it-yourself lines, and lawn and garden merchandise has been successful and will be continued.

Net Sales and Other Revenue relating to associate stores was $411.9 million, a gain of 17.3% over 1975. The number of associate stores increased during the year from 4,114 to 4,139. Western Auto is continuing its campaign to increase the number and size of associate stores and to improve their appearance. There were

"Western Auto enjoyed another good year in 1976, and—through our program of upgrading associate stores and our increasing emphasis on hardware and auto maintenance items —we expect to do better in 1977."

[illegible] Chairman
Western Auto Supply Company

Net Sales and Other Revenue
Excluding Midland

	(in thousands)
76	$637,244
75	565,064
74	578,561
73	565,623
72	527,585
71	472,582
70	437,228
69	431,209
68	407,578
67	387,521
66	376,507

The Merchandising Division consists of Western Auto Supply Company, Midland International Corporation, and Spiegel, Inc., and their subsidiaries. Net Income of this Division for 1976 was $35.8 million, compared to $22.8 million in 1975, a gain of 57.0%. This considerable improvement was due largely to a sizeable increase in Midland's Net Income. Western Auto and Spiegel also showed encouraging increases for 1976

improvements or expansions in 123 associate stores during 1976, and the company realized an increase in sales to these improved stores of 42.3%.

Almost all Western Auto merchandise is received at ten modern, company-owned distribution centers strategically located throughout the United States. Efficient operation of

The proprietors of one of Western Auto's independently operated associate stores. Sales in modern stores such as this one increased considerably during 1976.

these centers is vital to the company's profit performance, and total merchandise distribution cost in 1976 was 2.82% of net sales, compared to 3.38% in 1975, an improvement that contributed significantly to the company's increased Net Income. Improvements in distribution procedures are being made, so that as sales increase, unit costs for handling can be reduced further.

Merchandise is delivered to Western Auto stores from 3 distribution centers in company-owned trucks and from the remaining 7 in leased trucks.

Last year, more than 1,000 management employees and associate store owners received training at Western Auto's National Training Center in Kansas City. The training center utilizes a variety of modern educational techniques, including audio-visual equipment, in order to keep the company's key personnel fully up-to-date on merchandising techniques and company policies.

Western Acceptance Company, a wholly-owned subsidiary, purchases receivables generated by company-owned and associate stores. During 1976, the receivables purchased by Western Acceptance totaled $280.6 million compared with $246.5 million in 1975.

Midland International Corporation

Midland International Corporation, a wholly-owned subsidiary of Western Auto, is an international marketing company with overseas offices in Hong Kong, Tokyo, Korea, and Taiwan. Midland has long been one of the leaders in the rapidly growing citizens band radio industry.

During 1976, CB (citizens band) radio emerged as a national phenomenon, as the subject of countless books and articles, and as an important source of business for American retailers. Largely as a result of its dominant position in the CB industry, Midland achieved phenomenal sales and Net Income in 1976. Net Sales and Other Revenue was $196.9 million, compared to $77.5 million in 1975, an increase of 154.0% (excluding inter-company sales to Western Auto of $18.7 million and $15.4 million respectively). Net Income for 1976 was $16.2 million, a gain of 166.2% over

the 1975 figure of $6.1 million. Midland's total sales of CB, marine, and amateur radio equipment were $169.2 million, compared to $55.9 million in 1975 (excluding inter-company sales of $7.6 million and $4.8 million).

Because the demand for CB equipment is expected to stabilize during 1977 and because many well-known brand names are entering the field, Midland anticipates a somewhat lower sales volume in CB radios for 1977. The company's position continues to be a strong one, however, and by means of an aggressive advertising and marketing program and the development of attractive new products, Midland intends to maintain an important share of the CB market.

Through its Consumer Products Division, Midland is one of America's largest independent importers and marketers of television sets. This division achieved sales of $13.0 million (excluding inter-company sales of $2.9 million) in 1976, up 30.0% over 1975. The Medallion Automotive Division, which sells sound equipment, accessories, tools, and in-dash CB radios for automobiles, realized sales of $10.4 million compared with $9.8 million in 1975 (excluding inter-company sales of $3.0 million and $2.7 million). The Goodwin Sporting Goods and Toys Division had record sales of $4.3 million in the fast-growing sports and leisure-time market compared with $1.7 million in 1975 (excluding inter-company sales of $5.3 million and $4.4 million).

Midland markets its products in North and South America, Europe, the Middle East, and Australia. Total sales for delivery outside the United States were $8.2 million compared with $2.4 million in 1975.

Eva Gabor International, Ltd., a Midland subsidiary, achieved record sales of $12.8 million, compared to $10.5 million in 1975 and earnings of $0.6 million, compared to $0.3 million for 1975. These amounts are not included in Midland's figures above.

Net Sales and Other Revenue
Excluding inter-company sales and sales of a subsidiary

Year	(in thousands)
76	$196,945
75	77,525
74	58,335
73	49,407
72	35,282
71	25,083
70	23,776
69	20,774
68	11,553
67	6,994

"We at Midland are very pleased with our company's strong performance during 1976. Sales and income are not expected to show sharp increases in 1977, but we intend to maintain our strong position in all the markets we serve."

John W. Lane, Chairman
Midland International Corporation

CB radio is more than a hobby. A young mother uses her Midland unit to call for help when her automobile breaks down on the highway.

Spiegel, Inc.

Spiegel is a giant department store that sells all its merchandise through catalogs. The company distributes more than 50.7 million catalogs by mail each year throughout the United States. In addition, it operates 183 catalog stores. Spiegel stocks more than 65,000 items in America's largest single mail-order complex. The company offers quality products, including a number of national brands, with major emphasis on fashion apparel, home furnishings, and accessories.

For Spiegel, 1976 was a turnaround year. While Net Sales and Other Revenue declined slightly (2.2%), Net Income showed a substantial increase of 21.6%. 1976 was also a year of dramatic change at Spiegel—in management personnel, in operational procedures, and in merchandising philosophy. All of these changes had a favorable effect upon results for 1976, and it is expected that the long-term effect of these changes will continue to be positive.

Net Sales and Other Revenue amounted to $359.3 million in 1976 compared to $367.3 million in 1975. The decrease was due to a continuing reduction in credit sales, which declined by 4.4% to $186.3 million, while cash sales increased by 14.6% to $81.7 million.

Net Income grew from $4.7 million in 1975 to $5.7 million in 1976. This gratifying increase resulted from a general improvement in the efficiency of the company's operations.

At year end, there were 1.4 million active customer accounts, with an average balance of $243, compared to 1.6 million and $235 the year before. Customer accounts receivable at the end of 1976 were $345.5 million, 9.7% less than at the end of 1975. Accounts receivable charged off in 1976 totaled $19.3 million, a decrease of 37.7% from the prior year. This improvement is the result of more prudent policies in granting credit and of more efficient collection procedures.

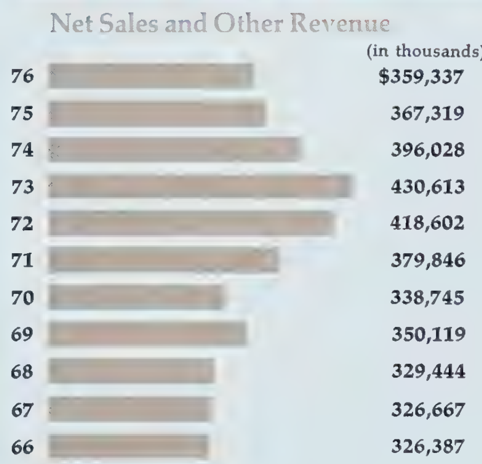
Sales at Catalog Order Stores were $97.2 million, accounting for 36.3% of total sales. This is a decrease of 12.6% from the previous year. 62 units were closed during 1976, and a continuing performance review has identified 40 more that are being closed in the first half of 1977. The remaining stores have been reorganized to operate more efficiently, while providing improved customer service.

An automated inventory management control program, implemented during 1976, has increased the turnover of merchandise. At year end, merchandise inventories were $1.4 million less than the previous year,

Two very young models pose for a photographic display that will appear in the new Spiegel catalog.

"Spiegel's vital signs are good and getting better. The company is now very definitely moving in the right direction—toward increasing growth and profitability. We look confidently to 1977 as a year of continued improvement."

Henry A. Johnson, Chairman
of the Board of Directors, Spiegel, Inc.



Spiegel buyers consider purchases at the Lady Manhattan showroom in New York City (top) *and at Shapiro & Sons Bedspread Corporation* (bottom). *Spiegel is one of the nation's leading wholesale buyers of women's apparel and household furnishing.*

and inventory turnover improved by 8.7%.

During 1976 a new management team was developed at Spiegel. Many changes were made at every level. The first priority, the reduction of overhead costs, has already been initiated and is being aggressively pursued, through increased operational efficiencies and a reduction in payroll. Management is developing a new merchandising image that will set the company apart from its giant competitors in a highly positive way. A new marketing strategy, appealing to the wants of people rather than their needs, with more emphasis on product sales and less on credit buying, will attempt to attract the younger and more affluent consumer. More fashionable clothing lines are being introduced, with a promotional emphasis upon value rather than price. The Spiegel catalog is being redesigned to feature more modern layouts, a greater number of color pages, and dramatic new photographic techniques. In order to reach the new Spiegel customer more efficiently, the company is exercising greater selectivity in catalog distribution. New mailing lists, based upon sophisticated demographic data, should achieve improved catalog sales productivity.

A decision has been made to relocate corporate headquarters in a new office building in suburban Oak Brook, Illinois. The new location will make for greater efficiency in every aspect of the company's operations.

1976 was a pivotal year for Spiegel. The operating results showed a notable improvement, and—far more important—the company is beginning to realize, and will realize, the benefits of steps taken, and to be taken, to revitalize its image and rebuild its business.

The directors, officers, and employees of Beneficial were deeply saddened by the death last August of Edgar T. Higgins, Chairman of the Board.

Mr. Higgins had been associated with the company since 1933. Over the years, he served in a number of important posts with Beneficial Management Corporation and on the Board of Directors of the parent company.

When Mr. Higgins was elected Chairman of the Board and Chief Executive Officer in 1970, he assumed leadership of a strong company. Upon his death, six years later, he left a company that was infinitely stronger, a monument to the career of Edgar T. Higgins.

On August 26, 1976 Finn M. W. Caspersen was elected Chairman of the Board and Chief Executive Officer, filling the vacancy created by the death of Mr. Higgins. Mr. Caspersen is Chairman of the Executive Committee and continues as a member of the Finance Committee of the parent company. He also retains his posts on the Boards and Executive Committees of various subsidiaries.

As a result of an amendment to the by-laws of Beneficial Corporation, a new entity, the Office of the President, has been established. This office, which will be composed of two or more senior officers, will function in lieu of a President and will be responsible for the formation and execution of corporate policy and for planning and development.

George R. Evans and Robert A. Tucker were elected to the Office of the President as of January 1, 1977. Mr. Evans was elected Vice-Chairman of the Board, succeeding Mr. Caspersen. He is also President of Beneficial Management Corporation and a director and member of the Executive and Finance Committees of the parent company. Mr. Tucker is First Vice-President and Chief Financial Officer of Beneficial Corporation and serves as a member of the Executive Committee and as Chairman of the Finance Committee.

Charles H. Watts, II, a member of the Board of Directors of the parent company since 1959, was named to the Executive Committee. Dr. Watts, President of The Wolf Trap Foundation for the Performing Arts, is a distinguished educator who served for many years as President of Bucknell University.

We note with deep regret the passing of Thomas A. McGrath and of Arthur C. Swanson. Mr. McGrath, a member of the Board of Directors, served as President of Beneficial Corporation from 1962 to 1969. Mr. Swanson, also a director, had been Chairman of the Board of Western Auto Supply Company until his retirement in 1971.

Cecil M. Benadom, President of Beneficial Corporation since 1969, retired at the end of 1976 after a distinguished 47-year career that closely paralleled the history of the company.

In the early 1930s, Mr. Benadom played a key role in the expansion of Beneficial Finance into the Western states. Later, he was instrumental in the development of the Canadian operation. Still later, as President of Beneficial Management Corporation, he led the Consumer Finance Subsidiaries to the achievement of one billion dollars in loan receivables. And finally, his presidency of the parent company was crowned by the record-breaking achievements of 1976.

Mr. Benadom retires with the best wishes of everyone at Beneficial.

Balance Sheet

	December 31	
	1976	1975
ASSETS	*(in thousands)*	
Cash (Note 2)	$ 34,255	$ 40,632
Finance Receivables (Note 3)	2,534,820	2,216,956
Less Unearned Finance Charges	(449,778)	(388,500)
Balance of Principal of Finance Receivables	2,085,042	1,828,456
Less: Reserve for Possible Credit Losses	(100,337)	(95,054)
Insurance Policy and Claim Reserves Applicable to Finance Receivables	(95,247)	(70,533)
Net Finance Receivables	1,889,458	1,662,869
Security Investments (Note 4)	251,940	276,697
Receivable from Merchandising Division (Note 5 and Page 30)	89,636	129,520
Investments in Non-Consolidated Subsidiaries (at equity in net assets):		
Merchandising Division (Page 30)	341,083	329,491
Other	4,535	4,332
	345,618	333,823
Fixed Assets (at cost, less accumulated depreciation and amortization of $18,382 and $16,256)	21,957	21,997
Other Assets (Note 6)	100,789	79,450
TOTAL	$2,727,853	$2,544,988

LIABILITIES AND SHAREHOLDERS' EQUITY		
Short-Term Notes and Employee Thrift Accounts (Note 7)	$ 331,417	$ 309,080
Accounts Payable and Accrued Liabilities (Note 8)	95,924	112,243
Insurance Policy and Claim Reserves (applicable to risks other than finance receivables)	45,415	44,574
Long-Term Debt (Note 9)	1,492,891	1,355,273
TOTAL LIABILITIES	1,965,647	1,821,170
Shareholders' Equity (Notes 4, 9, and 11):		
Preferred Stock	129,704	140,793
Common Stock	21,583	19,029
Capital Surplus	40,552	40,141
Retained Earnings	591,057	523,855
TOTAL SHAREHOLDERS' EQUITY	701,246	723,818
TOTAL	$2,727,853	$2,544,988

The Notes to Financial Statements should be considered in connection with this Balance Sheet.

Statement of Income

	Years Ended December 31				
	1976	1975	1974	1973	1972
			(in thousands)		
INCOME FROM FINANCE DIVISION:					
REVENUE:					
Consumer Finance	[illegible]	$381,846	$388,218	$366,470	$331,382
Insurance	[illegible]	78,414	64,321	49,847	45,539
TOTAL	[illegible]	460,260	452,539	416,317	376,921
EXPENSES:					
Interest	[illegible]	109,207	120,570	106,220	91,665
Less Interest Income from Non-Consolidated Subsidiaries	[illegible]	11,539	15,483	17,475	18,158
Interest (net)	[illegible]	97,668	105,087	88,745	73,507
Salaries and Employee Benefits	[illegible]	89,776	90,750	87,094	81,541
Provision for Possible Credit Losses (after offsetting recoveries)	[illegible]	54,755	51,123	40,756	34,042
Insurance Benefits Provided	[illegible]	42,340	38,581	30,158	22,499
Rent	[illegible]	14,601	14,141	12,980	11,601
Advertising, Telephone, Postage, and Other	[illegible]	60,025	60,421	54,869	50,835
TOTAL	[illegible]	359,165	360,103	314,602	274,025
OPERATING INCOME	[illegible]	101,095	92,436	101,715	102,896
FOREIGN EXCHANGE GAIN (LOSS) (Notes 1f and 10)	[illegible]	(6,042)	(11,217)	(1,236)	1,645
INCOME BEFORE PROVISION FOR INCOME TAXES	[illegible]	95,053	81,219	100,479	104,541
PROVISION FOR INCOME TAXES:					
U. S. and Foreign (Note 13)	[illegible]	37,426	30,817	42,186	37,196
State and Local	[illegible]	7,057	6,590	5,857	7,558
TOTAL	[illegible]	44,483	37,407	48,043	44,754
INCOME FROM FINANCE DIVISION	[illegible]	50,570	43,812	52,436	59,787
INCOME FROM MERCHANDISING DIVISION (Page 31)	[illegible]	22,797	19,870	23,337	22,417
INCOME BEFORE EXTRAORDINARY CREDIT	[illegible]	73,367	63,682	75,773	82,204
EXTRAORDINARY CREDIT (Note 15)	—	—	12,109	—	—
NET INCOME	[illegible]	$ 73,367	$ 75,791	$ 75,773	$ 82,204
EARNINGS PER COMMON SHARE—PRIMARY (Note 16):					
Earnings Available for Common Stock	[illegible]	$63,858	$66,259	$65,767	$72,084
Average Outstanding Shares	[illegible]	19,145	19,103	18,705	18,413
Net Income (1974 includes Extraordinary Credit of $.64)	[illegible]	$3.34	$3.47	$3.51	$3.92
EARNINGS PER COMMON SHARE—FULLY-DILUTED (Note 16):					
Earnings Available for Common Stock	[illegible]	$71,982	$74,451	$74,437	$80,933
Average Outstanding Shares	[illegible]	24,451	24,479	24,459	24,494
Net Income (1974 includes Extraordinary Credit of $.49)	[illegible]	$2.94	$3.04	$3.04	$3.30
DIVIDENDS PER COMMON SHARE	[illegible]	$1.25	$1.25	$1.20	$1.10

The Notes to Financial Statements should be considered in connection with this statement.

Management's Discussion and Analysis of the Statement of Income

The Statement of Income is included in a form to satisfy the requirement for a Summary of Operations; Management's Discussion and Analysis, consequently, pertains to the Statement of Income.

The average Balance of Principal of Finance Receivables increased 10.2% in 1976 and 1.8% in 1975. The greater gain in 1976 resulted from an increase in the number of qualified customers due to improved economic conditions as well as an increase in the amount of receivables purchased from non-affiliated companies. The smaller gain in 1975 resulted principally from a system-wide tightening of customer credit standards begun in 1974, as well as a decline in the number of qualified customers. Consumer Finance Revenue increased 13.4% in 1976, primarily as a result of better collection experience and the higher level of average receivables. A decrease of 1.6% in 1975 reflected increased emphasis on the making of larger loans, which carry a lower rate of interest, but on which the operating cost per dollar loaned is less. See the Consumer Finance Subsidiaries section on Page 7 for more information.

Insurance Revenue increased 31.9% in 1976 and 21.9% in 1975. The increase in 1976 results principally from reinsurance of non-credit life and accident and health insurance from a non-affiliated company. There were also significant gains in credit life and accident and health premiums as a result of increases in loans made, and an increase of $3.1 million in investment income, due primarily to a higher level of investments. The gain in 1975 reflected a program begun in 1974 of reinsuring credit property coverage previously carried by non-affiliated insurers, an increase in premium earned on credit accident and health insurance, and a $2.5 million increase in investment income. See the Insurance Group section on Page 11 for more information.

Interest Expense increased 14.4% in 1976 due to increased borrowings and higher interest rates. The average rate of annual interest expense, giving effect to compensating balances at banks, for 1976 was 7.26% compared with 7.10% for 1975. Interest Expense declined 7.1% in 1975 due to both lower interest rates and lower borrowing levels. See the Earnings and Dividends section on Page 4 and the Financial section on Page 5 for more information.

Salaries and Employee Benefits increased 11.0% in 1976, while 1975 had a decrease of 1.1%. The increase in 1976 resulted from additional employees required for the larger number of consumer finance offices operated, expansion of insurance operations, and improved employee benefits. The decrease in 1975 reflected the reduction in the number of offices pursuant to a profit analysis policy relating to existing and new offices.

Provision for Possible Credit Losses (after offsetting recoveries) increased 10.3% in 1976 and 7.1% in 1975. The increase in 1976 results from the substantially higher level of Finance Receivables, as charge-offs (after offsetting recoveries) of receivables considered uncollectible or to require disproportionate collection costs declined from 2.42% of average monthly balances in 1975 to 2.04% in 1976. In 1975 the increase was primarily a result of higher charge-offs, as inflationary pressures and high levels of unemployment severely curtailed the discretionary income of customers, thereby adversely effecting the ability of many to adequately meet their obligations. See the Reserve for Possible Credit Losses section on Page 9 for more information.

Insurance Benefits Provided increased 34.3% in 1976 and 9.7% in 1975. The increase in 1976 was primarily due to claims paid on reinsured non-credit life and accident and health business, while 1975's increase was substantially less than the comparable increase in revenue due primarily to very favorable loss ratios on new reinsurance of credit property programs.

The Foreign Exchange Loss of $4.7 million in 1976 relates primarily to the decline in the value of the Australian dollar and the British pound. The $6.0 million Foreign Exchange Loss in 1975 largely represents an unrealized translation loss resulting from a decline in foreign currencies (primarily Canadian) in which there were net asset positions. Additional information is given in Notes 1f and 10 on Pages 25 and 27.

Changes in Provision for U.S. and Foreign Income Taxes are explained in the effective rate reconciliation in Note 13, Page 28.

Income from Finance Division increased 27.8% in 1976 over 1975 due principally to increased revenue resulting from the expansion of finance receivables, increased investment income of the Insurance Group, a decrease in Foreign Exchange Loss, and a decline in the effective rate for U.S. and Foreign Income Taxes from 42.6% to 39.7%. Lower interest rates on borrowed money, increased underwriting and investment income of the Insurance Group, and a $2.4 million after-tax decline in Foreign Exchange Loss, partially offset by lower revenues and increased Provision for Possible Credit Losses, contributed to the 15.4% increase in 1975 Income.

Income from Merchandising Division is discussed and analyzed on Page 31.

Statement of Retained Earnings

	Years Ended December 31				
	1976	1975	1974	1973	1972
			(in thousands)		
BALANCE, BEGINNING OF YEAR	$529,842	$489,827	$447,351	$403,944	$352,122
Net Income	100,407	73,367	75,791	75,773	82,204
Total	630,249	563,194	523,142	479,717	434,326
Dividends on Capital Stock:					
Preferred	7,445	9,596	9,626	10,029	10,319
Common	29,962	23,756	23,689	22,337	20,063
Total Dividends	37,407	33,352	33,315	32,366	30,382
BALANCE, END OF YEAR	$592,842*	$529,842*	$489,827	$447,351	$403,944

*The balances of Retained Earnings in the Balance Sheet have been reduced by $1,786,000 for 1976 and $5,987,000 for 1975 for net unrealized losses on equity securities. (See Note 4.)

Statement of Capital Surplus

	Years Ended December 31				
	1976	1975	1974	1973	1972
			(in thousands)		
BALANCE, BEGINNING OF YEAR	$40,141	$39,658	$39,180	$36,524	$35,324
Excess of stated value of $5.50 Dividend Cumulative Convertible Preferred Stock over par value of Company Common Stock issued upon conversion	[illegible]	118	231	1,761	724
Excess of face amount of Spiegel Subordinated Debentures over par and stated values of Company capital stock issued in exchange	—	164	22	825	234
Miscellaneous	224	201	225	70	242
BALANCE, END OF YEAR	$40,852	$40,141	$39,658	$39,180	$36,524

The Notes to Financial Statements should be considered in connection with the above statements.

Statement of Changes in Financial Position

	Years Ended December 31				
	1976	1975	1974	1973	1972
			(in thousands)		
SOURCE OF FUNDS:					
Operations:					
Income before extraordinary credit	$ 100,407	$ 73,367	$ 63,682	$ 75,773	$ 82,204
Non-cash charges (credits) to income:					
Provision for possible credit losses (before offsetting recoveries)	86,820	60,221	56,214	44,288	37,876
Increase (decrease) in unpaid expenses	(1,879)	3,502	185	2,695	5,924
Increase in insurance reserves	26,555	29,090	21,060	14,010	9,215
Depreciation, amortization, and other	6,256	6,400	5,858	4,732	4,043
Unrealized foreign exchange (gain) loss	2,769	3,669	9,744	344	(1,891)
Deferred income taxes	(1,395)	(3,902)	17,925	(1,439)	(745)
Undistributed net income of non-consolidated subsidiaries	(11,115)	(14,892)	(19,166)	(22,646)	(22,652)
Total funds provided by operations	137,018	157,455	155,502	117,757	113,974
Extraordinary credit (Note 15)	—	—	12,109	—	—
Collections of principal on finance receivables	1,014,215	900,353	927,655	964,442	872,859
Advances to Merchandising Division—net decrease (increase)	39,684	56,245	39,291	24,261	(9,209)
Short-term notes and employee thrift accounts—net increase (decrease)	(7,663)	19,183	24,298	9,933	(42,594)
Increase (decrease) in accounts payable	(14,640)	40,915	(6,032)	8,396	(8,224)
Long-term debt issued	290,545	39,372	103,945	75,000	238,021
Other	2,407	12,487	(2,126)	(15,505)	(29,042)
	[illegible]	$1,226,010	$1,254,642	$1,184,284	$1,135,785
APPLICATION OF FUNDS:					
New funds lent to customers	$1,253,408	$ 975,777	$1,065,317	$1,108,918	$1,020,686
Principal balance of finance receivables purchased	90,471	47,512	4,158	2,649	675
Increase (decrease) in security investments (at carrying amount)	(24,757)	127,492	48,403	11,053	23,778
Long-term debt paid	155,035	41,877	103,449	29,298	60,264
Dividends on capital stock	37,407	33,352	33,315	32,366	30,382
	[illegible]	$1,226,010	$1,254,642	$1,184,284	$1,135,785

The Notes to Financial Statements should be considered in connection with this statement.

Notes to Financial Statements

1. Summary of Significant Accounting Principles and Practices

a) Examination of Financial Statements. Audits are made as of June 30 and December 31 by independent Certified Public Accountants.

b) Basis of Consolidation. The financial statements include, after inter-company eliminations, all significant subsidiaries except Western Auto Supply Company and Subsidiaries and Spiegel, Inc. and Subsidiaries, which comprise the Merchandising Division. However, the equity of the Company in the net assets and net income of all subsidiaries is included. Reference is made to the financial statements of the Merchandising Division which appear elsewhere in this report. Certain amounts for prior years have been restated to conform with 1976 classifications.

c) Finance Operations. The financial statements, with the exception of "Revenue—Consumer Finance" and certain operating expenses, are prepared on the accrual basis. The unrecorded asset of finance charges receivable exceeds the unrecorded liability for expenses payable. Such excess and the interperiod change therein are not considered material in relation to the Balance Sheet and Statement of Income respectively.

Unearned finance charges generally are taken into income as earned and collected under the Rule of 78ths method. Income from interest-bearing direct cash loans is taken into income as collected.

Receivables considered uncollectible or to require disproportionate collection costs are charged monthly to the Reserve for Possible Credit Losses, but collection efforts generally are continued.

d) Insurance Operations. Insurance subsidiaries are engaged primarily in credit life, credit accident and health, and casualty insurance.

The financial statements of all insurance subsidiaries are prepared in conformity with Generally Accepted Accounting Principles.

Premiums on credit life and credit accident and health insurance are generally taken into income as earned under the Rule of 78ths. Premiums on casualty insurance are taken into income on the straight-line method.

e) Valuation of Security Investments. Debt securities are carried at amortized cost. Equity securities (all marketable) are carried at market value. The carrying amount of marketable equity securities is adjusted from cost to market value through a valuation allowance, the change in which is not reflected in Net Income but directly in Retained Earnings. (See Note 4.)

f) Translation of Foreign Currencies. Assets, including immaterial amounts of fixed assets and related accumulated depreciation and amortization, and liabilities in foreign currencies (principally Canadian) are translated to U.S. dollar equivalents at the market rates at each Balance Sheet date. Translation of foreign operating results is at the average market rates for each period covered by the Statement of Income. The net gain or loss is credited or charged to income.

2. Cash

Cash at December 31 consists of the following:

	1976	1975
	(in thousands)	
On Hand and Unrestricted Deposits	**$ 148**	$ 5,367
Compensating Balances	**34,107**	35,265
Total Cash	**$34,255**	$40,632

Compensating balance requirements generally are the greater of 10% of the bank line of credit or 20% of actual borrowings. The use of lines of credit is periodically rotated among banks. (See Note 7.)

3. Finance Receivables

The amount of and maximum term in months (from origination) of Finance Receivables at December 31 are as follows:

	Amount		Maximum Term	
	1976	1975	**1976**	1975
	(in millions)		(months)	
Direct Cash Loans:				
Dollar-cost	**$1,798**	$1,596	**84**	84
Interest-bearing	**581**	493	**120**	120
All Loans	**2,379**	2,089		
Sales Finance Contracts	**156**	128	**60**	48
Total Finance Receivables	**$2,535**	$2,217		

Scheduled contractual payments of Finance Receivables to be received after December 31, 1976 are as follows:

	1977	1978	1979	1980	Beyond
Direct Cash Loans:					
Dollar-cost	41%	32%	18%	6%	3%
Interest-bearing	36	25	18	11	10
All Loans	39	31	18	7	5
Sales Finance Contracts	69	25	6	—	—
Total Finance Receivables	41	30	17	7	5

The above tabulation of scheduled contractual payments is not a forecast of collections. Collections of principal on Finance Receivables amounted to $1,014.2 million for 1976 and $900.4 million for 1975.

The percentage of monthly cash principal collections to average monthly balances was 4.35% for 1976 and 4.28% for 1975.

4. Security Investments

Except for temporary and miscellaneous investments of the Beneficial Finance System, $39.1 million in 1976 and $117.5 million in 1975 (at amortized cost), these are held by the insurance subsidiaries as long-term investments. Equity *(continued)*

securities had a cost of $26.3 million at December 31, 1976 and $31.4 million at December 31, 1975.

Security Investments at December 31 consist of the following:

	1976 Carrying Amount	1976 Market Value	1975 Carrying Amount	1975 Market Value
	(in millions)			
Debt Securities:				
Certificates of Deposit	**$ 38.4**	**$ 38.4**	$ 6.9	$ 6.9
Commercial Paper	**20.5**	**20.5**	62.1	62.1
U.S. Government Obligations	**3.8**	**3.8**	58.3	58.2
Foreign Government Agency Obligations	**5.5**	**5.5**	5.7	5.4
Municipal Bonds	**114.5**	**118.4**	77.3	68.9
Convertible Bonds	**13.3**	**13.4**	11.9	10.8
Non-Convertible Bonds	**24.4**	**25.0**	21.5	20.5
Other	**7.0**	**7.0**	7.6	7.6
	227.4	**232.0**	251.3	240.4
Equity Securities:				
Preferred Stocks	**13.3**	**13.3**	9.7	9.7
Convertible Preferred Stocks	**1.5**	**1.5**	1.2	1.2
Common Stocks	**9.7**	**9.7**	14.5	14.5
	24.5	**24.5**	25.4	25.4
Total Security Investments	**$251.9**	**$256.5**	$276.7	$265.8

The net unrealized loss on equity securities at December 31, netted against Retained Earnings in the accompanying Balance Sheet at December 31, is as follows:

	1976	1975
	(in millions)	
Gross Losses	**$2.6**	$6.2
Less Gross Gains	**0.8**	0.2
Net Unrealized Loss	**$1.8**	$6.0

Realized gains and losses, determined on the identified cost basis, are not material.

5. Receivable from Merchandising Division

Of this amount at December 31, 1976 and 1975 $29.0 million and $34.0 million are receivable from Fairfax Family Fund, Inc., a consumer loan company.

6. Other Assets

At December 31 these consist of the following:

	1976	1975
	(in thousands)	
Excess of Cost of Common Stock of Certain Subsidiaries over Equity in Net Assets Thereof at Dates of Acquisition	**$ 27,556**	$27,686
Deferred Income Tax Benefits	**12,848**	12,199
Insurance Premiums Receivable	**18,546**	9,158
Unamortized Long-Term Debt Expense	**10,534**	8,865
Unamortized Insurance Acquisition Cost	**12,658**	9,329
Other	**18,647**	12,213
Total Other Assets	**$100,789**	$79,450

The Excess of Cost of Common Stock is not being amortized except for an insignificant amount relating to an acquisition in 1971 amortized over a period ended in 1976.

7. Short-Term Notes and Employee Thrift Accounts

At December 31 these consist of the following:

	1976	1975
	(in thousands)	
Banks:		
Line of Credit Loans	**$ 93,897**	$136,599
Demand Master Note	**6,040**	—
	99,937	136,599
Commercial Paper	**167,456**	142,743
Total Short-Term Notes	**267,393**	279,342
Employee Thrift Accounts	**34,024**	29,738
Total	**$301,417**	$309,080

Data for Short-Term Notes for the years ended December 31 are:

	1976	1975
	(in thousands)	
Maximum amount at any month end	**$267,393**	$279,342
Daily average amount	**$167,864**	$176,803
Average interest rate (actual interest expense divided by daily average amount)	**7.85%**	8.03%

The average interest rates on Short-Term Notes outstanding at December 31, without giving effect to compensating balances at banks, and maturities are as follows:

	1976	1975
Average Interest Rates:		
Banks (in U.S., at prime)	**8.38%**	7.72%
Demand Master Note (varies with prevailing money market rates)	**4.81**	—
Commercial Paper (varies with prevailing money market rates)	**6.45**	6.84
Maturities (in days):		
Banks	**1-92**	1-90
Commercial Paper	**20-197**	15-182

At December 31 bank lines of credit are as follows:

	1976	1975
	(in thousands)	
Loans	**$ 93,897**	$136,599
Unused Portion	**336,921**	297,973
Total Lines	**$430,818**	$434,572

8. Accounts Payable and Accrued Liabilities

At December 31 these consist of the following:

	1976	1975
	(in thousands)	
Income Taxes Payable	**$26,638**	$ 44,048
Accrued Interest	**23,484**	23,969
Dealer Reserves	**11,223**	9,447
Insurance Premiums Payable	**4,681**	5,912
Minority Interest in Subsidiaries	**4,557**	4,556
Other	**25,341**	24,311
Total Accounts Payable and Accrued Liabilities	**$95,924**	$112,243

9. Long-Term Debt and Surplus Restrictions

Long-term debt outstanding December 31 is as follows:

	1976	1975
	(in thousands)	
By Currency:		
United States	**$1,345,078***	$1,218,678*
Australian	**29,262**	—
Canadian	**93,981**	102,170
Swiss	**24,570**	34,425
Total Long-Term Debt	**$1,492,891**	$1,355,273
By Maturity:		
1976	**$ —**	$ 154,979
1977	**120,475**	119,125
1978	**36,869**	33,578
1979	**191,532**	158,825
1980	**127,481***	119,686*
1981	**80,488**	69,686
1982-86	**250,130**	13,534
1987-91	**210,916**	210,860
1992-96	**250,000**	250,000
1997-2001	**150,000**	150,000
2002	**75,000**	75,000
Total Long-Term Debt	**$1,492,891**	$1,355,273
Weighted Average Annual Interest Rate on Debt Outstanding at End of Year	**6.96%**	6.66%

*Includes subordinated debt of $50.0 million.

Certain of the indentures and agreements relating to the Company's long-term debt contain covenants restricting payment of dividends (other than stock dividends) and the purchase and retirement of the Company's capital stock. At December 31, 1976 and 1975 the amounts of all unrestricted Surplus (Capital Surplus and Retained Earnings), under the most restrictive of these covenants, are approximately $331 million and $243 million.

10. Foreign Operations

After translation to U.S. dollar equivalents, assets, liabilities, and net assets denominated in foreign currencies at December 31 and operating income, foreign exchange loss, and net income from operations in foreign countries for the years then ended are:

	1976	1975
	(in millions)	
Assets	**$364.4**	$331.3
Liabilities	**244.0**	206.5
Net Assets	**$120.4**	$124.8
Operating Income*	**$17.4**	$20.1
Foreign Exchange Gain (Loss)*	**(3.7)**	(5.5)
Net Income	**$13.7**	$14.6

*After income taxes.

The foreign exchange loss results primarily for 1976 from the decline in the Australian dollar and the British pound and for 1975 from the decline in the value of the Canadian dollar.

11. Capital Stock

At December 31 the number of shares of capital stock is as follows:

	Issued and Outstanding 1976	Issued and Outstanding 1975
Preferred Stock—no par value (issuable in series). Authorized, 500,000	**None**	None
5% Cumulative Preferred Stock—$50 par value. Authorized, 585,730	**407,718(a**	407,718(a
$5.50 Dividend Cumulative Convertible Preferred Stock—no par value—$20 stated value (each share convertible into 4.5 shares of Common; maximum liquidation value, $17,148,300 and $72,567,200). Authorized, 1,164,077	**171,483**	725,672
$4.50 Dividend Cumulative Preferred Stock—$100 par value. Authorized, 103,976	**103,976**	103,976
$4.30 Dividend Cumulative Preferred Stock—no par value—$100 stated value (each share convertible prior to November 1, 1977 into 2.1 shares of common). Authorized, 1,069,204	**954,903**	954,960
Common Stock—$1 par value. Authorized, 60,000,000	**21,533,351(b**	19,029,426(b

After deducting treasury shares

a)	**178,012**	178,012
b)	**4,829,836**	4,839,918

Of the authorized shares shown above as of December 31, 1976, an aggregate of 2,776,969 shares of Common are issuable upon conversion of $5.50 Preferred and $4.30 Preferred.

12. Employee Retirement Plans

Substantially all employees of the Company and consolidated subsidiaries are covered by one or more of several retirement plans. The plans are fully funded except for relatively minor amounts, which for the most part are being funded over periods of approximately ten years. Total expense of the plans was $2.8 million for 1976 and $2.1 million for 1975.

13. U.S. and Foreign Taxes on Income

The Company files a consolidated U.S. federal income tax return with all eligible subsidiaries, including the eligible merchandising subsidiaries. The Provision for U.S. and Foreign Income Taxes is comprised of:

	1976	1975
	(in thousands)	
United States:		
Current	**$36,444**	$30,316
Deferred	**(1,776)**	(1,513)
Total U.S.	**34,668**	28,803

(continued)

Notes to Financial Statements (continued)

	1976	1975
	(in thousands)	
Foreign:		
Current	**$ 7,356**	$10,355
Deferred	**381**	(1,732)
Total Foreign	**7,737**	8,623
Total	**$42,405**	$37,426

A reconciliation between the expected and the effective U.S. and foreign tax rates on income from the Finance Division before income taxes is as follows:

	1976	1975
	(in millions)	
Income before Provision for Income Taxes	**$116.3**	$95.1
Less: Net Income of Non-Consolidated Finance Division Subsidiaries	**0.2**	0.2
State and Local Income Taxes	**9.3**	7.1
	9.5	7.3
Income of Consolidated Companies before Provision for U.S. and Foreign Income Taxes	**$106.8**	$87.8
Expected Provision for U.S. and Foreign Income Taxes (at 48%)	**$51.3**	$42.1
Expected Tax Rate (as used above)	**48.0%**	48.0%
Increases (Decreases) in Taxes Resulting from:		
Income of insurance subsidiaries taxed at lower effective rates	**(6.7)**	(7.3)
Differential between U.S. and foreign tax rates	**(1.4)**	(0.4)
Adjustments of taxes relating to prior years	**(0.1)**	0.2
Unrealized and untaxed foreign exchange gains and losses	**0.9**	1.4
Receipt of dividends from subsidiaries	**0.2**	0.4
Other	**(1.2)**	0.3
Effective Tax Rate	**39.7%**	42.6%
Provision for U.S. and Foreign Income Taxes	**$42.4**	$37.4

Charges (credits) to Provision for U.S. and Foreign Income Taxes—Deferred are related to:

	1976	1975
	(in thousands)	
Provision for Possible Credit Losses	**$ (561)**	$ 2,530
Accrued Salaries	**(1,148)**	(860)
State and Local Income Taxes	**545**	(1,812)
Earned but uncollected Canadian finance charges	**(332)**	(3,994)
Unamortized Insurance Acquisition Cost	**1,638**	285
Other	**(1,537)**	606
Total	**$(1,395)**	$(3,245)

U.S. income taxes generally have not been provided on retained earnings of foreign subsidiaries, as such retained earnings are expected to be permanently invested in foreign countries. If such earnings were remitted, available foreign income tax credits would substantially offset applicable U.S. income taxes.

14. Leases

Real estate leases total 1,760 and generally have an original term of five years with renewal option for a like term. Data processing equipment lease terms range from two to seven years and generally are renewable. The minimum rental commitments under non-cancelable leases at December 31, 1976 are as follows:

	(in millions)		
1977	$9.1	1981	$ 1.5
1978	6.9	1982 thru 1986	2.0
1979	5.1	Thereafter	0.2
1980	3.5	Total	$28.3

Leases covering 75% or more of the economic life of the property or that assure lessors full recovery of investment plus a reasonable rate of return are immaterial.

15. 1974 Extraordinary Credit

In October 1974 a non-consolidated 79.9% owned subsidiary, whose operations in prior years were not significant, sold for cash 64,000 acres of undeveloped land in Florida. Substantially all of the proceeds have been distributed in liquidation. Beneficial Corporation's portion of the gain, after taxes of $5.2 million at capital gain rates, was $12.1 million.

16. Earnings Per Common Share

Primary Earnings per Common Share is computed on basis of average shares outstanding and equivalents thereof, after deducting dividend requirements on Preferred Stocks. None of the Preferred Stocks are common stock equivalents.

Fully-diluted Earnings per Common Share is computed on same basis as above except that average shares outstanding include those that would result from conversion of $5.50 Preferred Stock and $4.30 Preferred Stock, and preferred dividend requirements on only non-convertible issues are deducted.

Supplementary Earnings per Common Share, required because of substantial conversions of $5.50 Preferred Stock, showing what Primary Earnings per Common Share would have been assuming all converted shares of $5.50 Preferred Stock had been converted into Common shares as of the beginning of each year presented, are as follows:

1976	$4.34	1973	$3.20
1975	3.09	1972	3.51
1974	2.64*		

* Excludes Extraordinary Credit of $.56 per share.

17. Quarterly Financial Data

Selected quarterly financial data required by Securities and Exchange Commission rules are included (unaudited) in Supplemental Information—Data by Calendar Quarter on Page 38.

16. Insurance Group

Selected data for the years ended December 31 for the insurance subsidiaries are as follows:

	1976	1975
	(in millions)	
Premium Income	**$ 90.3**	$ 69.5
Investment Income (net)	**11.9**	8.8
Benefits Provided	**56.9**	42.3
Other Operating Expenses	**20.8**	15.7
Net Income	**20.7**	17.2
Total Assets	**259.6**	195.6
Insurance in Force	**3,603.6**	2,735.0

FORM 10-K

The Company will furnish without charge to each shareholder, upon written request, a copy of the Company's Annual Report on Form 10-K for the year 1976 which the Company is required to file with the Securities and Exchange Commission, including the financial statements and the schedules thereto.

Requests should be addressed to: Mr. Edwin M. Stokes, Vice-President and Secretary, Beneficial Corporation, P.O. Box 911, Wilmington, Delaware 19899.

Accountants' Opinion

The Board of Directors and Shareholders of Beneficial Corporation

We have examined the balance sheet of Beneficial Corporation and Consolidated Subsidiaries as of December 31, 1976 and 1975 and the related statements of income, retained earnings, capital surplus, and changes in financial position for each of the five years ended December 31, 1976. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We did not examine the financial statements of the Merchandising Division (Western Auto Supply Company and Subsidiaries and Spiegel, Inc. and Subsidiaries, non-consolidated subsidiaries), the equity in net assets and net income of which are set forth in the accompanying financial statements. The financial statements for such companies were examined by other auditors whose reports thereon have been furnished to us and our opinion expressed herein, insofar as it relates to the amounts included for such companies, is based solely upon the reports of the other auditors.

In our opinion, based upon our examination and the reports of other auditors, such statements present fairly the financial position of Beneficial Corporation and Consolidated Subsidiaries at December 31, 1976 and 1975 and the results of their operations and changes in their financial position for each of the five years ended December 31, 1976, in conformity with generally accepted accounting principles applied on a consistent basis.

HASKINS & SELLS

Newark, N.J.
February 22, 1977

Balance Sheet

	December 31 1976	December 31 1975
	(in thousands)	
ASSETS		
Current Assets:		
Cash (Note 3)	$ 14,372	$ 14,636
Receivables:		
Instalment Accounts	[illegible]	706,629
Revolving Accounts	[illegible]	45,467
Wholesale Accounts	[illegible]	64,797
	[illegible]	816,893
Less Unearned Finance Charges	([illegible])	(110,861)
	709,500	706,032
Less Allowance for Doubtful Receivables	([illegible])	(52,393)
Net Receivables	[illegible]	653,639
Inventories	[illegible]	175,270
Prepaid Expenses	[illegible]	11,793
Total Current Assets	[illegible]	855,338
Fixed Assets (at cost, less accumulated depreciation and amortization of $41,437 and $38,426)	[illegible]	85,798
Other Assets	5,329	5,050
TOTAL	[illegible]	$946,186
LIABILITIES AND SHAREHOLDER'S EQUITY		
Current Liabilities:		
Commercial Paper (Note 3)	[illegible]	$ 12,002
Long-Term Debt Due Within One Year (Note 4)	[illegible]	1,108
Accounts Payable	[illegible]	84,262
Payable to Beneficial Corporation (Note 3)	[illegible]	116,766
Federal Income Taxes Payable to Beneficial Corporation (Note 1e)	[illegible]	12,754
State and Other Income Taxes Payable	[illegible]	4,772
Deferred Federal Income Taxes (Note 6)	72,102	77,574
Accrued Taxes, Warranties, and Other Liabilities	46,801	48,242
Total Current Liabilities	[illegible]	357,480
Long-Term Debt (Note 4)	[illegible]	256,353
Deferred Federal Income Taxes (Note 6)	[illegible]	2,862
TOTAL LIABILITIES	[illegible]	616,695
Shareholder's Equity (including Retained Earnings of $225,487 and $213,895)	341,083	329,491
TOTAL	[illegible]	$946,186

The Notes to Financial Statements should be considered in connection with this Balance Sheet.

Statement of Income and Retained Earnings

	Years Ended December 31				
	1976	1975	1974	1973	1972
			(in thousands)		
NET SALES AND OTHER REVENUE	[illegible]	$1,020,400	$1,039,232	$1,062,602	$985,399
EXPENSES:					
Cost of Goods Sold (including certain buying and occupancy expenses)	[illegible]	651,291	654,709	682,353	622,078
Selling and Administrative Expense	[illegible]	289,262	300,923	294,955	284,642
Interest Expense (including $7,510, $11,582, $15,532, $17,602, and $18,184 to Beneficial Corporation)	[illegible]	33,255	44,029	40,301	35,003
TOTAL	[illegible]	973,808	999,661	1,017,609	941,723
INCOME BEFORE INCOME TAXES	[illegible]	46,592	39,571	44,993	43,676
PROVISION FOR INCOME TAXES:					
Federal:					
Current	[illegible]	26,239	6,887	(3,065)	(6,010)
Deferred	[illegible]	(4,534)	10,558	22,698	25,382
State	[illegible]	2,090	2,256	2,023	1,887
TOTAL	[illegible]	23,795	19,701	21,656	21,259
NET INCOME	[illegible]	22,797	19,870	23,337	22,417
RETAINED EARNINGS, BEGINNING OF YEAR	[illegible]	199,098	180,228	157,891	136,474
	[illegible]	221,895	200,098	181,228	158,891
DIVIDENDS PAID	24,200	8,000	1,000	1,000	1,000
RETAINED EARNINGS, END OF YEAR	[illegible]	$ 213,895	$ 199,098	$ 180,228	$157,891

The Notes to Financial Statements should be considered in connection with this statement.

Management's Discussion and Analysis of the Statement of Income

The Statement of Income is included in a form to satisfy the requirement for a Summary of Operations; Management's Discussion and Analysis, consequently, pertains to the Statement of Income.

Net Sales and Other Revenue increased 18.2% in 1976 because of the growth in the retail and wholesale operations, particularly in the wholesale sales of citizens band radios. For 1975, Net Sales and Other Revenue decreased 1.8% primarily because of the effect of the continuing economic recession which caused a decline in consumer demand. Also, the continuation of the more restrictive credit acceptance policy, instituted in 1974 for catalog sales, had a depressing effect on credit sales. These effects were partially offset by the successful marketing of citizens band radios in the second half of 1975.

Cost of Goods Sold increased 24.8% in 1976. This increase is not proportional to the increase in sales since price reductions on the sale of 23-channel citizens band radios were necessary in the later part of 1976 in order to reduce inventory levels in anticipation of the sale of 40-channel units beginning in 1977.

Selling and Administrative Expense increased by only 1.6% in 1976 and decreased by 3.9% in 1975. These favorable results are due primarily to the decline in Provision for Doubtful Accounts resulting from reduced charge-offs relating to the catalog instalment accounts. This reduction was achieved because of lower credit sales, increased collection efforts, and the effect of the restrictions on credit acceptance.

Interest Expense decreased by 13.2% in 1976 and by 24.5% in 1975. The decrease in 1976 was primarily due to lower interest rates and in 1975 was a result of lower interest rates and lower borrowings.

Net Income for the Merchandising Division increased by 57.0% in 1976, primarily because of the increased volume in the wholesale and retail operations and improved catalog operations. In 1975 Net Income for the Division increased by 14.7%. This increase was primarily due to the Division's ability to capitalize on the rapid growth of the citizens band radio industry. The depressed results for 1974 were the result of a decrease in volume caused by the economic recession, the establishment of higher credit standards, and an increase in Provision for Doubtful Accounts.

Statement of Changes in Financial Position

	Years Ended December 31				
	1976	1975	1974	1973	1972
		(in thousands)			
SOURCE OF FUNDS:					
Net Income	$35,792	$22,797	$19,870	$23,337	$22,417
Expenses Not Requiring Concurrent Cash Outlays:					
Depreciation and Amortization	8,813	9,050	8,341	7,362	6,609
Deferred Income Taxes	876	962	828	436	336
Funds Provided by Operations	45,481	32,809	29,039	31,135	29,362
Long-Term Debt Issued	1,087	423	49,732	1,121	1,196
Disposals of Fixed Assets	1,060	144	538	571	866
Other	—	—	313	—	—
	$47,628	$33,376	$79,622	$32,827	$31,424
APPLICATION OF FUNDS:					
Addition to Fixed Assets	$ 8,683	$ 8,130	$16,285	$20,153	$20,610
Reduction of Long-Term Debt	8,805	1,846	3,432	4,136	2,577
Dividends Paid	24,200	8,000	1,000	1,000	1,000
Other	266	489	452	732	1,085
Increase in Working Capital	5,674	14,911	58,453	6,806	6,152
	$47,628	$33,376	$79,622	$32,827	$31,424
CHANGES IN WORKING CAPITAL:					
Increase (Decrease) in Current Assets:					
Cash	$ (264)	$(11,498)	$ 1,515	$ 8,843	$ 4,301
Receivables	10,742	(50,287)	(4,796)	46,247	55,064
Inventories	11,452	(13,329)	(1,265)	(14,918)	33,967
Prepaid Expenses	199	(1,893)	1,268	(326)	75
	22,129	(77,007)	(3,278)	39,846	93,407
Increase (Decrease) in Current Liabilities:					
Notes Payable and Long-Term Debt Due Within One Year	40,334	(44,447)	(33,683)	22,238	60,060
Accounts Payable	12,177	5,585	(432)	12,611	(5,335)
Payable to Beneficial Corporation	(30,896)	(76,650)	(46,875)	(12,220)	12,403
Federal Income Taxes Payable to Beneficial Corporation	(788)	20,405	7,584	(12,041)	(3,194)
Deferred Income Taxes	(5,382)	(4,161)	10,188	22,078	23,194
Other Current Liabilities	1,010	7,350	1,487	374	127
	16,455	(91,918)	(61,731)	33,040	87,255
Increase in Working Capital	$ 5,674	$14,911	$58,453	$ 6,806	$ 6,152

The Notes to Financial Statements should be considered in connection with this statement.

Notes to Financial Statements

1. Summary of Significant Accounting Principles and Practices

a) Affiliation and Basis of Combination. The financial statements include the accounts of Western Auto Supply Company (Western Auto) and subsidiaries (including Midland International Corporation and its subsidiaries) and Spiegel, Inc. (Spiegel) and subsidiaries. Both Western Auto and Spiegel are wholly-owned subsidiaries of Beneficial Corporation. All significant inter-company transactions have been eliminated.

b) Examination of Financial Statements. Examinations of the financial statements of the Merchandising Division are made as of June 30 and December 31 by independent Certified Public Accountants.

c) Receivables. Receivables are represented by instalment accounts, for which finance charges are recorded in income by either the effective yield method or sum-of-years digit method, or revolving accounts, for which finance charges are recorded in income when billed to the customers. Also included are amounts due from wholesale customers which normally do not earn finance charges if paid within the trade terms.

In accordance with merchandising industry practice, receivables (before deduction of unearned finance charges) include amounts becoming due after one year of $335.1 million at December 31, 1976 and $347.0 million at December 31, 1975.

d) Inventories. Inventories are priced at the lower of cost (first-in, first-out) or replacement market after considering obsolescence.

e) Taxes on Income. Results of operations are included in the consolidated federal income tax return of Beneficial Corporation. The total provisions for federal income taxes for financial statement purposes are approximately the same as they would have been had the companies filed separate returns.

f) Fixed Assets. Depreciation of fixed assets is provided on the straight-line method over their estimated useful lives.

Maintenance and repairs are expensed as incurred. Renewals and betterments are capitalized. The cost and accumulated depreciation of fixed assets retired, sold, or otherwise disposed of are eliminated from the accounts at the time of disposal and any resulting gain or loss is reflected in income.

g) Employee Retirement Plans. Current retirement plan cost and provision for funding prior service costs are charged to expense.

h) Accruals for Merchandise Warranties. Reserves are maintained to provide for anticipated costs relating to merchandise under warranty not covered by manufacturers' warranties.

2. Transactions with Affiliates

An insurance subsidiary of Beneficial offers credit life insurance to Spiegel customers as well as to certain borrowers from a consumer loan subsidiary of Spiegel. A life insurance subsidiary of Spiegel reinsures approximately 20% of the foregoing coverage. Premiums paid to the subsidiary of Beneficial were $5.4 million in 1976 and $5.9 million in 1975. The excess of such premiums over claims paid, adjustments to funded reserves, and commissions of 18% were paid to Spiegel and its subsidiaries in amounts aggregating $1.3 million in 1976 and $0.8 million in 1975.

Beneficial provides certain services for the collection of mail order receivables of Spiegel. Charges to Spiegel for such services aggregated $3.2 million in 1976 and $1.0 million in 1975.

3. Short-Term Borrowings

Western Auto meets certain of its working fund requirements through short-term bank borrowings and the sale of its commercial paper. At December 31, 1976 $144.2 million in bank lines was available to Western under various informal arrangements. Most arrangements provide for the maintenance of bank balances based upon a percentage of the available line or related borrowing, while others are based upon a fixed rate or give effect to normal operating bank balances. At December 31, 1976 $12.5 million in compensating bank balances was maintained in support of bank lines.

Spiegel obtains operating funds through borrowings from Beneficial Corporation. The interest rate on such borrowed funds has been 7½% since April 1, 1974.

4. Long-Term Debt and Restrictions on Retained Earnings

A summary of long-term debt follows:

	1976	1975
	(in thousands)	
5.5% notes payable, due 1979	**$ 50,000**	$ 50,000
Debentures:		
9.5%, due 1979	**50,000**	50,000
7.85%, due 1996, with annual sinking fund payments	**45,660**	48,099
5.25%, due 1983	**40,000**	40,000
5%, due 1987	**40,000**	40,000
5.9% subordinated notes, due 1977 through 1980	**20,000**	20,000
Other long-term debt	**9,169**	9,362
	254,829	257,461
Less long-term debt due within one year	**6,194**	1,108
	$248,635	$256,353

The companies' long-term debt agreements contain certain covenants restricting the payment of dividends, the purchase and retirement of the companies' capital stock, investments, and indebtedness. Under the terms of the most restrictive covenants, approximately $86.4 million of the companies'

(continued)

Notes to Financial Statements (concluded)

retained earnings of $225.5 million at December 31, 1976 was available for the payment of dividends to Beneficial Corporation.

Annual long-term debt and sinking fund payments for the five years subsequent to December 31, 1976 are as follows (in millions): 1977, $6.2; 1978, $8.7; 1979, $107.7; 1980, $7.6; and 1981, $2.6.

5. Employee Profit Sharing and Retirement Plans

Profit sharing and retirement plans cover substantially all employees who have met specified requirements. The companies' contributions to these plans (charged to earnings) were $6.8 million for 1976 and $5.1 million for 1975.

At January 1, 1976, the date of the most recent valuation, the actuarially computed value of vested benefits under the retirement plans exceeded fund assets and balance sheet accruals by approximately $6.7 million.

6. Deferred Taxes on Income

Deferred taxes result from timing differences in the recognition of income and expense for tax and financial statement purposes. Charges (credits) to the deferred tax provision for the years ended December 31 are related to:

	1976	1975
	(in thousands)	
Instalment basis for gross profit on credit sales	**$(5,478)**	$(4,454)
Depreciation	**741**	589
Provision for doubtful accounts	**135**	(182)
Provision for merchandise warranty reserves	**(692)**	(464)
Other	**180**	(23)
	$(5,114)	$(4,534)

7. Leases

The companies occupy certain warehouse facilities and stores and use certain equipment under operating leases. Rent expense was $20.9 million in 1976 and $21.3 million in 1975. Minimum lease commitments at December 31, 1976 were:

	(in millions)
1977	$13.3
1978	11.9
1979	10.6
1980	9.4
1981	7.1
1982 through 1986	25.8
1987 through 1991	7.1
1992 through 1996	0.9

It is expected that in the normal course of business, leases that expire will be renewed or replaced with leases on other properties; thus, it is expected that future minimum rentals will not be less than those for 1977.

8. Replacement Cost Data

In accordance with regulations of the Securities and Exchange Commission, Western Auto has developed replacement cost information for its inventories and fixed assets. This information is included in Western Auto's Securities and Exchange Commission Form 10-K. Spiegel is not required to develop or report such information.

Accountants' Opinion

The Board of Directors
Beneficial Corporation:

We have examined the balance sheet of Beneficial Corporation Merchandising Division (Western Auto Supply Company and subsidiaries and Spiegel, Inc. and subsidiaries, combined), as of December 31, 1976 and 1975 and the related statements of income and retained earnings and changes in financial position for the five years ended December 31, 1976. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We did not examine the financial statements of Spiegel, Inc. and subsidiaries as of December 31, 1975 or for the four years then ended, which statements reflect total assets constituting 51% in 1975 and total revenues constituting 36% in 1975, 38% in 1974, 41% in 1973, and 42% in 1972 of the related combined totals. These statements were examined by other Certified Public Accountants whose report thereon has been furnished to us and our opinion expressed herein, insofar as it relates to the amounts included for Spiegel, Inc. and subsidiaries, is based upon the report of the other Certified Public Accountants.

In our opinion, based upon our examination and the report of other Certified Public Accountants, the aforementioned financial statements present fairly the financial position of the Beneficial Corporation Merchandising Division at December 31, 1976 and 1975 and the results of its operations and changes in its financial position for the five years ended December 31, 1976, in conformity with generally accepted accounting principles applied on a consistent basis.

PEAT, MARWICK, MITCHELL & CO.

Kansas City, Missouri
February 18, 1977

Information by Group

	Years Ended December 31				
	1976	1975	1974 (in thousands)	1973	1972
Net Sales and Other Revenue					
Western Auto	**$ 637,244**	$ 565,064	$ 578,561	$ 565,623	$527,585
Midland (a	**209,765**	88,017	64,643	66,366	39,212
Spiegel	**359,337**	367,319	396,028	430,613	418,602
Combined	**$1,206,346**	$1,020,400	$1,039,232	$1,062,602	$985,399
Income before Income Taxes					
Western Auto	**$26,552**	$25,122	$29,592	$27,440	$32,742
Midland	**33,233**	12,418	(282)	1,807	1,638
Spiegel	**10,971**	9,052	10,261	15,746	9,296
Combined	**$70,756**	$46,592	$39,571	$44,993	$43,676
Net Income					
Western Auto	**$13,351**	$11,750	$14,980	$14,251	$16,405
Midland	**16,786**	6,397	(398)	1,042	954
Spiegel	**5,655**	4,650	5,288	8,044	5,058
Combined	**$35,792**	$22,797	$19,870	$23,337	$22,417

	Receivables, Net of Unearned Finance Charges, at Year End*		Allowance for Doubtful Accounts at Year End		Provision for Doubtful Accounts for the Year	
	1976	1975	**1976**	1975	**1976**	1975
Western Auto	**$280,336**	$248,370	**$13,469**	$13,474	**$ 5,401**	$ 6,134
Midland	**30,317**	19,576	**2,085**	1,244	**1,297**	858
Spiegel	**398,847**	438,086	**29,565**	37,675	**10,467**	21,287
Combined	**$709,500**	$706,032	**$45,119**	$52,393	**$17,165**	$28,279

*Excludes inter-company receivables.

	Inventories		Total Assets		Shareholder's Equity	
	1976	1975	**1976**	1975	**1976**	1975
Western Auto	**$133,938**	$119,099	**$474,135**	$426,731	**$243,808**	$236,181
Midland	**32,581**	14,554	**68,208**	38,066	**18,831**	8,321
Spiegel	**40,203**	41,617	**445,048**	481,389	**78,444**	84,989
Combined	**$206,722**	$175,270	**$987,391**	$946,186	**$341,083**	$329,491

a) Excludes sales to Western Auto of (in millions): $18.7, $15.4, $11.8, $23.6, and $25.0 respectively.

Affiliation: Western Auto Supply Company and Spiegel, Inc. are wholly-owned subsidiaries of Beneficial Corporation. Midland International Corporation is a wholly-owned subsidiary of Western Auto. Information concerning Midland is shown separately because of the significance of its operations.

Eleven-Year Summary

Supplemental Information

	Years Ended December 31			
During the Year	1976	1975	1974	1973
Consolidated				
Net Income	$ 100,407	73,367	63,682(a	75,773
Earnings per Common Share (dollars)				
Primary	$ 4.52	3.34	2.83(a	3.51
Fully-diluted	$ 4.05	2.94	2.55(a	3.04
Average Number of Common Shares				
Primary	20,438	19,145	19,103	18,705
Fully-diluted	24,430	24,451	24,479	24,459
Cash Dividends paid per Common Share (dollars)	$ 1.4375	1.25	1.25	1.20
Finance Division				
Volume of Finance Receivables Acquired less Unearned Finance Charges	$1,900,270	1,553,622	1,669,254	1,739,432
Number of Finance Receivables Acquired	1,797	1,512	1,886	2,177
Average Amount of Transaction (dollars)	$ 1,057	1,028	885	799
% of Monthly Cash Principal Collections to Average Monthly Balances	4.36	4.28	4.45	4.94
% of Finance Receivables Charged Off (after Offsetting Recoveries) to Average Monthly Balances	2.04	2.42	2.12	1.82
Revenue	$ [illegible]	460,260	452,539	416,317
Income before Provision for Income Taxes	$ 116,251	95,053	81,219	100,479
Income from Finance Division	$ 64,616	50,570	43,812	52,436
% of Income from Finance Division to Revenue	12.04	10.99	9.68	12.60
Merchandising Division				
Net Sales and Other Revenue	$1,206,246	1,020,400	1,039,232	1,062,602
Income before Income Taxes	$ 70,756	46,592	39,571	44,993
Income from Merchandising Division	$ 35,792	22,797	19,870	23,337
% of Income from Merchandising Division to Net Sales and Other Revenue	2.97	2.23	1.91	2.20
At Year End				
Consolidated				
Total Debt	$1,794,300	1,664,353	1,650,361	1,618,862
Shareholders' Equity	$ 701,246	723,818	688,959	646,165
Ratio of Total Debt to Shareholders' Equity	2.27 to 1	2.30 to 1	2.40 to 1	2.51 to 1
Finance Division				
Finance Receivables less Unearned Finance Charges	[illegible]	1,828,456	1,781,500	1,700,696
% of Unearned Finance Charges to Related Net Finance Receivables	[illegible]	29.10	28.16	27.80
Reserve for Possible Credit Losses	[illegible]	95,054	92,638	86,736
% of Reserve for Possible Credit Losses to Finance Receivables less Unearned Finance Charges	5.10	5.20	5.20	5.10
% of Finance Receivables (account balances, loans only) with Payments More than Two Months Delinquent (based upon recency of payment)	1.19	1.29	1.28	1.15
Number of Accounts	[illegible]	2,008	2,138	2,250
Average Account Balance (dollars)	$ [illegible]	911	833	756

Notes:

* The data for all years include results of companies accounted for on a pooling of interest basis and all data have been adjusted for pooling of interests; for comparability, certain amounts for 1975 and prior years have been reclassified to conform with the 1976 classifications.

1972	1971	1970	1969	1968	1967	1966
(amounts in thousands, except where noted)						
82,204	68,755	59,194	53,627	51,965	49,100	54,032
3.92	3.22	2.71	2.45	2.37	2.21	2.55
3.30	2.75	2.36	2.14	2.07	1.95	2.18
18,413	18,143	17,885	17,488	17,047	16,965	16,531
24,494	24,516	24,494	24,493	24,461	24,417	23,986
1.10	1.0667	1.0667	1.0667	1.0667	1.0667	1.0667
1,632,869	1,461,770	1,368,832	1,402,672	1,352,295	1,162,047	1,148,152
2,150	1,940	1,924	2,120	2,199	2,105	2,207
759	753	711	662	615	552	520
4.90	4.82	4.63	4.96	5.22	5.35	5.32
1.56	1.57	1.40	1.22	1.26	1.41	1.33
376,921	336,057	305,445	276,032	244,572	224,633	212,930
104,541	98,828	88,378	77,629	70,296	64,962	65,701
59,787	51,912	48,092	39,316	36,900	35,244	36,007
15.86	15.45	15.74	14.24	15.09	15.69	16.91
985,399	878,541	800,040	801,640	748,142	718,303	702,894
43,676	33,148	21,655	30,987	32,378	24,592	34,999
22,417	16,843	11,102	14,311	15,065	13,856(b	18,025
2.27	1.92	1.39	1.79	2.01	1.93	2.56
1,558,101	1,423,438	1,337,433	1,232,399	1,091,634	944,648	915,682
599,964	547,054	506,100	475,578	449,137	424,028	402,475
2.60 to 1	2.60 to 1	2.64 to 1	2.59 to 1	2.43 to 1	2.23 to 1	2.28 to 1
1,579,689	1,441,331	1,366,537	1,267,075	1,135,077	988,752	944,011
27.68	26.85	25.13	24.86	23.45	22.28	22.38
82,154	76,448	73,657	69,625	63,408	59,012	55,109
5.20	5.30	5.39	5.49	5.59	5.97	5.84
0.99	0.89	0.96	0.90	0.83	0.86	0.74
2,223	2,105	2,125	2,132	2,121	2,085	2,111
711	685	643	594	535	474	447

a) Excludes Extraordinary Credit of $12.1 million from sale of undeveloped land by a non-consolidated subsidiary (see Note 15, page 28). Primary and Fully-diluted Earnings per Common Share exclude Extraordinary Credit of $.64 and $.49 per share respectively.

b) Includes profit from sale of a foreign subsidiary (net of federal income tax) of $1.2 million.

Data by Calendar Quarter

Supplemental Information

	1976			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
REVENUE				
Finance Division (a	$129,920	$124,445	$132,339	$149,854
Merchandising Division:				
Western Auto	152,602	174,581	157,699	152,362
Midland (excluding sales to Western Auto)	50,956	70,644	51,331	36,834
Spiegel, Inc. and Subsidiaries (b	82,198	72,180	84,604	120,355
Revenue from Merchandising Division (b	285,756	317,405	293,634	309,551
Total	$415,676	$441,850	$425,973	$459,405
OPERATING INCOME				
Finance Division	$37,398	$26,755	$33,457	$23,471
Merchandising Division:				
Western Auto	8,049	10,060	4,674	3,769
Midland	13,210	19,597	7,525	(7,099)
Spiegel, Inc. and Subsidiaries (b	3,083	857	1,865	5,166
Operating Income from Merchandising Division (b	24,342	30,514	14,064	1,836
Total (b	$61,740	$57,269	$47,521	$25,307
NET INCOME				
Finance Division (c	$22,203	$15,203	$18,759	$8,450
Merchandising Division:				
Western Auto	4,015	5,064	2,346	1,926
Midland	6,652	9,908	3,791	(3,565)
Spiegel, Inc. and Subsidiaries (b	1,526	494	972	2,663
Income from Merchandising Division	12,193	15,466	7,109	1,024
Total (b, c	$34,396	$30,669	$25,868	$9,474
EARNINGS PER COMMON SHARE (a				
Primary	$1.67	$1.44	$1.11	$.30
Fully-diluted	$1.39	$1.29	$1.03	$.34*
Supplementary	$1.51	$1.35	$1.12*	$.36*
SHARES ENTITLED TO VOTE				
$5.50 Dividend Cumulative Convertible Preferred Stock				
High Sales Price	$101.00	$100.75	$115.00	$121.75
Low Sales Price	85.25	86.00	104.75	104.25
Dividends Paid per Share	1.375	1.375	1.375	1.375
$4.30 Dividend Cumulative Preferred Stock (Convertible prior to November 1, 1977)				
High Sales Price	58.75	56.00	59.50	60.00
Low Sales Price	46.50	50.25	53.50	52.50
Dividends Paid per Share (payable semi-annually)	2.15	—	2.15	—
Common Stock				
High Sales Price	23.625	24.375	26.25	27.625
Low Sales Price	17.375	18.75	22.625	22.875
Dividends Paid per Share	.3125	.3625	.3625	.40

Certain quarterly figures have been restated: a) to conform to December 31, 1976 classifications; b) to a basis consistent with the audited financial statements; and c) relating to foreign exchange loss.

*Anti-dilutive, but included in total for year.

		1975				
	Total	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
(in thousands, except per share figures)						
	$ 536,558	$113,545	$112,572	$114,426	$119,717	$ 460,260
	637,244	135,000	158,465	136,260	135,339	565,064
	209,765	13,768	17,425	24,840	31,984	88,017
	359,337	87,809	75,242	85,350	118,918	367,319
	1,206,346	236,577	251,132	246,450	286,241	1,020,400
	$1,742,904	$350,122	$363,704	$360,876	$405,958	$1,480,660
	$121,081	$30,406	$29,045	$25,719	$15,925	$101,095
	26,552	6,696	9,281	4,833	4,312	25,122
	33,233	582	553	4,060	7,223	12,418
	10,971	3,435	1,026	1,853	2,738	9,052
	70,756	10,713	10,860	10,746	14,273	46,592
	$191,837	$41,119	$39,905	$36,465	$30,198	$147,687
	$ 64,615	$15,545	$12,333	$13,271	$ 9,421	$50,570
	13,351	3,080	4,447	2,362	1,861	11,750
	16,786	358	318	2,156	3,565	6,397
	5,655	1,632	526	788	1,704	4,650
	35,792	5,070	5,291	5,306	7,130	22,797
	$100,407	$20,615	$17,624	$18,577	$16,551	$73,367
	$4.52	$.95	$.80	$.85	$.74	$3.34
	$4.05	$.83	$.71	$.74	$.66	$2.94
	$4.34	$.88	$.74	$.78	$.69	$3.09
		$ 81.75	$ 93.50	$ 90.00	$ 84.00	
		72.75	77.00	70.00	68.625	
	$ 5.50	1.375	1.375	1.375	1.375	$5.50
		51.75	51.375	51.375	50.00	
		38.00	46.00	42.50	42.00	
	4.30	2.15	—	2.15	—	4.30
		19.875	21.75	20.50	19.50	
		14.125	16.00	15.25	15.00	
	1.4375	.3125	.3125	.3125	.3125	1.25

Beneficial Corporation

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Retired; former President of Beneficial Corporation

Charles W. Bower[1,2]
Senior Vice-President and Treasurer

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Attorney at Law, Butler, Snow, O'Mara, Stevens & Cannada Jackson, Mississippi

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Vice Chairman of the Board of Trustees of the University of Delaware; Chairman of the Board of Peoples Bank and Trust Company, a subsidiary

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Chairman of Board of Directors and Chief Executive Officer

Freda R. Caspersen
Chairman of Board of Directors of Westby Corporation, real estate investments, Wilmington, Delaware

Thomas W. Cullen[3]
Retired; former President of an affiliated holding company

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Member of the Office of the President and Vice-Chairman of Board of Directors; President of Beneficial Management Corporation, a subsidiary

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Chairman of Board of Directors of Western Auto Supply Company, a subsidiary

J. Thomas Gurney[3]
Attorney at Law, Gurney, Gurney & Handley, Orlando, Florida

Arnold T. Koch[3]
Of Counsel to Wormser, Kiely, Alessandroni & McCann, New York, New York

DeWitt J. Paul
Retired; former Chairman of Board of Directors of Beneficial Corporation

Robert A. Tucker[1,2]
Member of the Office of the President, First Vice-President, and Chief Financial Officer

Arthur T. Ward, Jr.[3]
Medical Doctor, Baltimore, Maryland

Charles H. Watts, II[1,3]
President, The Wolf Trap Foundation for the Performing Arts Vienna, Virginia

Directors Emeritus

Modie J. Spiegel
William E. Thompson
Ralph B. Williams

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[1]Member of Executive Committee (Finn M. W. Caspersen, Chairman)

[2]Member of Finance Committee (Robert A. Tucker, Chairman)

[3]Member of Compensation Committee (Arnold T. Koch, Chairman)

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Chairman of Board of Directors and Chief Executive Officer

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Member of the Office of the President and Vice-Chairman of Board of Directors

Robert A. Tucker
Member of the Office of the President, First Vice-President, and Chief Financial Officer

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Senior Vice-President and Treasurer

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Senior Vice-President

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Vice-President and Tax Counsel

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Vice-President and Secretary

Russell W. Willey
Vice-President and Controller

Charles H. Donovan
Auditor

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Assistant Vice-President

Glenn E. Paton
Assistant Secretary

Harold J. Robinson
Assistant Secretary

John R. Doran
Assistant Treasurer

Elmer H. Reynolds
Assistant Treasurer

Robert F. Haag
Assistant Controller

Beneficial Management Corporation

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Chairman and President

Finn M. W. Caspersen

Edward A. Dunbar
Executive Vice-President Insurance

Robert A. Tucker

Gordon L. Wadmond
Executive Vice-President

Richard A. Wagner
Executive Vice-President Operating and Chief Supervision Director

Senior Vice-Presidents

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Counsel

Leo R. Caron
Operating

John M. Farrell
Community Affairs

Robert P. Freeman
Personnel

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Daniel J. McCaffrey
Operations

Helmuth Miller
Public Relations

R. Donald Quackenbush
Insurance

Robert C. Wetzel
Operating

Vice-Presidents

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Controller

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Audit

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State and Local Taxes

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Management Information Services

Charles V. Walsh
Counsel, Public Relations

Charles E. Hance
Litigation Counsel

Lawrence Kelder
Executive Assistant

Kenneth J. Kircher
Secretary to Executive and Management Committees

William S. Prickett
Treasurer

James D. Warren
Secretary

Helen A. Hofbeck
Assistant Secretary

Marie O'C. Klinger
Assistant Secretary

Beneficial Management Corporation, a wholly-owned subsidiary, furnishes, at cost, supervision, audit, accounting, and other services to most of the operating subsidiaries.

Principal Executives of other Subsidiary Companies

Senior Vice-Presidents

Joseph A. Stubits
Operating

William G. Weiss
Canada

Vice-Presidents

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West Coast Central

Pierre E. Bashe
California North

George B. Brush
New England

Dewey O. Cassler
Tri-State

Ernest H. Cole
Southwest

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Beneficial Finance Co. of New York, Inc.

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Central

John France
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Grant H. Genske
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Midwest

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Eastern

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Montreal

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Southern

Charles L. Rounsavall
Midsouth

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President and Treasurer Beneficial Finance Co. of New York, Inc.

Harry E. Vanderbank
East Central

Murray W. Wilson
Australia

John F. Yarley
Gulf Coast

George R. Evans
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Beneficial Finance Co. of Canada

Gerald L. Holm
President
Beneficial Data Processing Corporation

J. Edward Kerwan
Vice-President
Beneficial Data Processing Corporation

John J. Leonard
Vice-President
Beneficial Data Processing Corporation

Bevan G. Walker
Vice-President, Secretary-Treasurer
Beneficial Finance Co. of Canada

Beneficial Insurance Group

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President

Robert E. Gaegler
Executive Vice-President

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Secretary and Treasurer

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Senior Vice-President—Marketing—Life

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Vice-President

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Vice-President—Investments

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Vice-President—Marketing—Life

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Donald K. Smith
Vice-President

Laverne R. Wolfanger, Jr.
Controller

H. C. Butterfield, Esq.
Resident Counsel and Secretary
Beneficial International Insurance Company, Limited

Joy Orchard
Assistant Secretary

Eileen A. Anderson
Assistant Secretary

David B. Ward, Esq.
Counsel to the Insurance Group

Western Auto Supply Company

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President

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Vice-President and Controller

Herbert D. Froemming
Vice-President and Treasurer

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Vice-President

William F. Hooten
Vice-President

Philip E. Long
Vice-President

Carl W. Mahan
Vice-President

Louis L. Poplinger
Vice-President and Secretary

R. T. Renfro
Vice-President

Ralph H. Warnhoff
Vice-President

R. P. Bradley
Assistant Treasurer

Ralph L. Wright
Assistant Secretary

Midland International Corporation

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President

Robert A. Caldwell
Vice-President

Richard L. Looney
Vice-President

Richard W. Stilley
Vice-President and Treasurer

Louis L. Poplinger
Secretary

Alvin L. Esbin
President of Eva Gabor International, Ltd.

Spiegel, Inc.

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Chairman of the Board of Directors and Chief Executive Officer

Albert R. Bell
Vice-President and Secretary

John R. Erickson
Vice-President

Leonard A. Gittelsohn
Vice-President

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Vice-President

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Vice-President

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Vice-President

Albert H. Paul
Vice-President

Edward J. Spiegel
Vice-President

Joseph A. Stubits
Vice-President

Alton M. Withers
Vice-President

Paul A. Stinneford
Assistant Vice-President and Assistant Secretary

Michael R. Moran
Treasurer-Controller

Meyer Sheinfeld
Assistant Secretary

Caroline M. Biggs
Assistant Treasurer

Classes of Stock	Transfer Agents	Registrars
Common	Irving Trust Company, N.Y. Wilmington Trust Company Wilmington, Del. The First National Bank of Chicago	Chemical Bank, N.Y. Farmers Bank of the State of Delaware Wilmington, Del. Continental Illinois National Bank and Trust Company of Chicago
5% Cumulative Preferred	Irving Trust Company, N.Y. Wilmington Trust Company Wilmington, Del.	Manufacturers Hanover Trust Company, N.Y. Farmers Bank of the State of Delaware Wilmington, Del.
$5.50 Dividend Cumulative Convertible Preferred	Morgan Guaranty Trust Company of New York Wilmington Trust Company Wilmington, Del.	Citibank, N.A., N.Y. Farmers Bank of the State of Delaware Wilmington, Del.
$4.50 Dividend Cumulative Preferred	Bankers Trust Company, N.Y. Wilmington Trust Company Wilmington, Del.	The Chase Manhattan Bank, N.A., N.Y. Farmers Bank of the State of Delaware Wilmington, Del.
$4.30 Dividend Cumulative Preferred (Convertible)	Manufacturers Hanover Trust Company, N.Y. The First National Bank of Chicago	The Chase Manhattan Bank, N.A., N.Y. Continental Illinois National Bank and Trust Company of Chicago

The principal market on which the above classes of stock are traded is the New York Stock Exchange.

PRODUCED AND DESIGNED BY SHAREHOLDER REPORTS, INC.

Beneficial Corporation

Beneficial Building, Wilmington, Delaware 19899